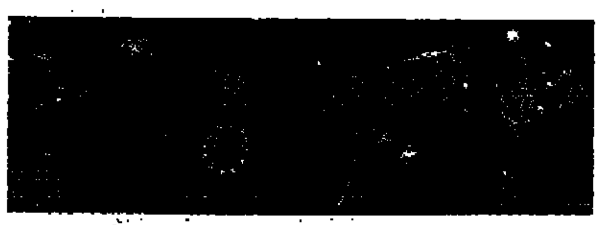

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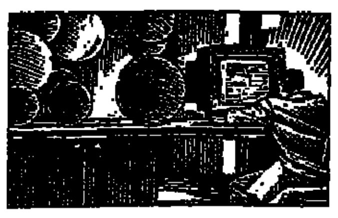

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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 22 1992 — D8523A

Japan may face recession as economy falters

Japan may be facing its worst recession for almost 20 years with the economy failing to grow in the second quarter of 1992. Statistics from the country's Economic Planning Agency measuring gross national product are expected to show zero growth when they are released later today. They will confirm that the economy has run into the sand after the rapid expansion of the late 1980s which fuelled growth of at least 4 per cent for 4½ years. Page 20

Sharp fall at YSL: Paris fashion house Yves Saint Laurent suffered a sharp fall in net profits to FFr2.6m ($506,000) in the first half of this year from FFr41m in the same period of 1991, reflecting the depressed state of the global luxury goods market. Page 22

Helicopter deal: United Technologies of the US is to supply Sikorsky Black Hawk helicopters to the Turkish armed forces in a deal worth $855m. Page 8

Russian PM promises austerity

Russia's acting prime minister, Yegor Gaidar, admitted the country's budget deficit was now "very bad" after a sharp drop in revenues and a rise in payments during the summer, and promised that the government would tighten monetary policy over the next six months. Page 7

Primerica takes Travelers stake: Primerica, US financial services group, has taken a 27 per cent stake in troubled US insurance company Travelers Corporation. Investors and analysts saw the deal as a vote of confidence. Page 21

Ballooning winners: The first transatlantic balloon race was won by a Belgian team which landed in Portugal. A British team also landed in Portugal to take second place.

Election pledge: South Korean opposition parties, angry at plans to postpone presidential elections, may return to the National Assembly following a promise that elections will be conducted fairly in December. Page 8

Storm hits Philippines: Tropical Storm Ted ripped across the Philippines, killing five people, demolishing houses and causing floods, landslides and volcanic mudflows.

Profits warning: Club Mediterranée, French holiday and leisure group, warned that it might not be able to meet its profit forecast because of an unexpectedly steep fall in profits from its US subsidiary. Page 22

Chemical blast kills two: Two people died and 15 were hurt in an explosion at a chemical works in Castleford, West Yorkshire, owned by Hickson and Welch, subsidiary of chemicals group Hickson International. Picture, Page 10

Belfast jobs saved: Participation with Learjet in the development of a new business jet programme is expected to secure between 700 and 800 jobs at Belfast aerospace company Short Brothers. Both companies are part of the Canadian Bombardier group. Page 10

Pechiney rises after reshuffle: Pechiney Group, French state-owned aluminium group, and its separately listed can-making subsidiary, Pechiney International, reported sharp increases in first-half net profits. Pechiney Group took over its subsidiary's aluminium and trading businesses to make Pechiney International more attractive to investors by reducing its exposure to volatile aluminium prices. Page 21

HSBC chief to stand down: William Purves, chairman and chief executive of HSBC Holdings, parent of Hongkong and Shanghai Bank and Midland Bank, will relinquish day-to-day management of the group early next year, but will retain the post of executive chairman. Page 36

Vatican rift healed: The Vatican and Mexico established full diplomatic relations, formally ending a rift of more than a century. Page 8

Hanson promotion: Anglo-US conglomerate Hanson is to promote Robert Hanson, 31, son of its chairman, Lord Hanson, on to its board. Page 21

Princess abandons car: The Princess of Wales has cancelled the lease on her £72,000 ($127,000) German-built Mercedes 500 SL as a gesture to the recession-hit British motor industry.

■ STOCK MARKET INDICES

FT-SE 100:	2,558.1	(-6.9)
Yield	4.78	
FT-SE Eurotrack 100	1,052.16	(-18.79)
FT-A All-Share	1,286.86	(+0.1%)
Nikkei	18,066.24	(-100.56)
New York lunchtime		
Dow Jones Ind Ave	3,311.92	(-15.13)
S&P Composite	421.57	(-1.36

■ US LUNCHTIME RATES

Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	2.961%	
Long Bond	98½	
Yield	7.358%	

■ LONDON MONEY

3-mo Interbank	9⅞%	(10%)
Late long gilt future:	Sep 97⅜	(Sep 98⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day Nov	$20.275	(20.425)

■ Gold

New York Comex Sep	$347.5	(347.9)
London	$347.25	(352.0)

■ STERLING

New York lunchtime:		
$	1.713	
London:		
$	1.712	(1.74)
DM	2.5375	(2.6125)
FFr	8.5975	(8.94)
SFr	2.2275	(2.27)
Y	211.75	(217.0)
£ Index	83.6	(85.5)

■ DOLLAR

New York lunchtime:		
DM	1.48075	
FFr	5.0655	
SFr	1.30175	
Y	123.65	
London:		
DM	1.4825	(1.501)
FFr	5.0625	(5.1375)
SFr	1.301	(1.305)
Y	123.7	(124.65)
$ Index	62.0	(61.9)

Tokyo close Y 124.0

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bt150
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr6.50	Kuwait	Fils 600	Poland	Zl 18,000	Turkey	L6000
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Leaders move to salvage European union in wake of narrow French Yes vote

Bundesbank says UK must bargain on re-entry of £

By Peter Norman and George Graham in Washington

THE BUNDESBANK yesterday served notice that the UK will have to negotiate with its European Community partners on an appropriate parity for sterling, if and when it re-enters the European exchange rate mechanism.

Mr Helmut Schlesinger, president of the German central bank, said the re-entry of sterling and the lira into the ERM would have to be on terms approved by all other participants.

Without naming the pound, Mr Schlesinger said was "very important" that countries entering the ERM should choose a parity that "would be right from the beginning". This, he added, had not happened in the past.

His comments came as Mr Piero Barucci, Italy's finance minister, confirmed that the lira would not re-enter the ERM today as originally planned when it was floated last week.

Mr Schlesinger's remarks, however, reflect in particular the Bundesbank's distaste for the way the UK first entered the ERM in October 1990. The London government unilaterally decided then that sterling's parity would be DM2.95 and announced the rate before the weekend meetings of EC officials which were to discuss UK entry.

The Bundesbank president's insistence that the UK must submit its proposed terms of entry to its EC partners is wholly in line with the rules of the ERM.

But it is likely to irritate Mr Norman Lamont, Britain's chancellor of the exchequer, who made clear at the weekend that the UK wanted changes in the ERM before again submitting sterling to its disciplines.

Mr Lamont said the ERM had difficulties coping with the D-Mark as its anchor currency after German union. He called on the EC to address the "rationale" of the ERM once the French referendum vote was over. One issue was whether it should revert to being a system of fixed but adjustable parities, as was the case before 1987, or "a glide-path towards a single currency".

Mr Lamont's call for a study of the ERM was welcomed by Mr Michel Sapin, the French finance minister. "If Great Britain wants to make proposals to improve the functioning of the exchange rate mechanism, and thereby to bring forward the day it can re-enter, I would be very happy," he said.

But Mr Henning Christophersen, the European Commission

Continued on Page 20

MAASTRICHT: AFTER THE FRENCH VOTE

Stating terms: Helmut Schlesinger stressed that countries entering the ERM must pick the right parity from the start

France and Germany bid to save Maastricht

By David Buchan in Paris and Quentin Peel in Bonn

FRANCE and Germany are expected to launch an initiative to revive the Maastricht treaty after a mini-summit today between President François Mitterrand and Chancellor Helmut Kohl.

The initiative will concentrate on reinforcing democratic control over EC institutions, reassuring those who fear the loss of national identity and taking in new member states.

Senior German officials dismissed the idea that the talks might produce a formal initiative, but French officials expected "a classic Franco-German move".

One French official said the meeting "could help Mr John Major" ahead of next month's emergency EC summit, since the agenda addressed issues of particular concern to Britain. However, the aspect of Mr Major's proposed summit arousing hostility is his suggestion that it should consider changes within the European monetary system.

"If you want to torpedo the EMS, you just do what the British prime minister seems to suggest," one German official said. "I don't see how you can negotiate at a European summit, in front of 5,000 journalists, about the future of the monetary system. The markets would go wild.

"We need a summit meeting well-prepared to do some stock-taking and to agree on how to get the ratification process through. We need to answer the problems of both Denmark and the UK."

French officials deny that France and Germany might plan a slimmed-down version of economic and monetary union.

Officials in Paris and Bonn stressed that the intention of Mr Kohl and Mr Mitterrand was to ease the forthcoming ratification debates in Britain and Germany, and start to answer Denmark's objections to Maastricht.

"The French vote [on Maastricht] should help relaunch the ratification process," Mr Mitterrand's spokesman said.

He also said the two leaders

Continued on Page 20

Single currency doubts plague ERM

By Emma Tucker and James Blitz in London

THE European exchange rate mechanism remained under heavy strain yesterday after France's narrow approval of the Maastricht treaty failed to allay investors' fears about the future of European monetary union.

The French franc dropped to within one centime of its ERM floor against the D-Mark in European trading, in spite of continuous intervention by the Bank of France, and supportive comments from Mr Helmut Schlesinger, president of the Bundesbank in Germany.

Ireland's punt was again the victim of heavy selling as investors continued to buy D-Marks.

Sterling, which left the ERM last week, fell to an all-time low against the German currency in anticipation of an early cut in UK base rates.

In Italy, the central bank's announcement that it would not rejoin the ERM today, as it suggested last week, triggered another heavy sell-off of the Italian currency against the D-Mark. It closed in London at L845.2, from a previous close of L836.2.

At the International Monetary Fund meeting in Washington, Mr Schlesinger said the franc remained "healthy and stable" and that tensions within the EMS had been reduced by last week's realignments. But the French currency slipped to FFr3.4150, 1½ centimes above its ERM floor.

The punt closed in London at DM2.6210, only 0.5 per cent above its ERM floor against the D-Mark.

Sterling closed 7½ pfennigs down from Friday's close at DM2.5375, a historic low against the D-Mark and an effective 10 per cent devaluation from the old ERM central rate. The anticipation of UK rate cuts led to volatile trading of government bonds.

Mr John Shepperd, an economist at Warburgs, said: "People are genuinely concerned about the extent to which there is going to be an inflationary biased policy because of the lack of constraints on the exchange rate," Mr Shepperd said. "At the moment we are in a situation where the government can do whatever it wants."

Gilt prices were ¼ point higher on the day at the short end, but fell by 1½ points at the long end in highly volatile trading.

Strong hopes of a rate cut also fuelled a 44.2 point rise in the FT-SE 100 share index early yesterday morning, but prices fell back once it became clear that the Bank of England did not intend to cut rates immediately. Shares ended the day 6.9 points lower at 2560.1.

Worries about the economic outlook were not confined to London. In Frankfurt, the DAX index fell almost 1 per cent as the

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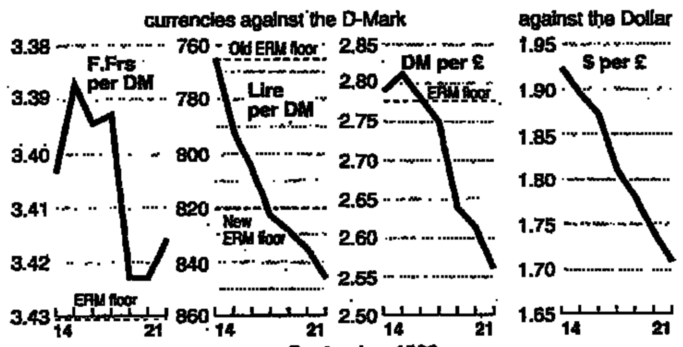

Source: FT Graphite

BankAmerica lifts presence in Texas with S&L purchase

By Martin Dickson in New York

BANKAMERICA, the leading bank in the western US, yesterday moved to strengthen its modest presence in the important Texas market with the purchase of 130 branches and $7.5bn of deposits from First Gibraltar Bank, a large savings institution controlled by the financier Mr Ronald Perelman.

The deal, part of the wave of consolidation in the fragmented US banking industry, came as North Carolina-based First Union announced an agreement to buy Virginia-based Dominion Bankshares for stock valued at roughly $850m.

San Francisco-based BankAmerica said the cost of the First Gibraltar deal had yet to be settled, but it expected to pay about $110m, mainly in cash, to MacAndrews & Forbes Holdings, the parent company behind Mr Perelman's privately owned empire.

Mr Perelman's acquisition of First Gibraltar four years ago created immense controversy because of the very favourable terms he won from a government agency overseeing the national crisis of failed savings and loans institutions.

He pieced First Gibraltar together from failed S&Ls acquired for $355m, while gaining $900m in tax breaks and a contract to manage distressed loans held by the institutions. He now appears to have used most of the tax breaks and management fees.

First Gibraltar was put up for sale earlier this year. But despite its extensive branch network, its attractions for potential purchasers were reduced by its relatively slim loan book and lack of business customers.

BankAmerica said it would be buying some $225m of commercial loans and $640m of consumer loans. MacAndrews & Forbes would retain First Gibraltar's federal savings bank charter, four branches in Plano, Texas, and non-banking subsidiaries.

BankAmerica already operates 130 branches in Texas, where it has some $3.7bn of deposits. It claimed the deal will boost it to second place in the state in terms of branches, behind North Carolina-based NationsBank, and fourth in terms of deposits.

The Californian bank moved into Texas in 1991, buying the assets of a troubled Houston bank, and followed this up with deals involving two thrifts. Its piecemeal approach contrasts with those of rivals like NationsBank and Ohio-based Banc One, which moved into Texas in the late 1980s through the acquisition of some of the state's largest banks.

First Union said its takeover of Dominion would boost it from the 11th largest US bank holding company to ninth, with assets of $61.3bn. It will also extend its banking reach into Dominion's territory of Virginia, Tennessee and Washington, DC.

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Maastricht: How they ratify and when

BELGIUM Parliamentary ratification.Ratified by the lower house July, to be voted by the upper house soon

DENMARK Ratification referendum - rejected June 2. Could vote 1993

FRANCE Ratified in referendum September 20

GERMANY Parliamentary ratification October 7

GREECE Ratified by parliament in July

IRELAND Ratified in June referendum

ITALY Approved by Senate last week. Full ratification by year-end

LUXEMBOURG Ratified by parliament in July

NETHERLANDS Parliamentary ratification by December

PORTUGAL Parliamentary ratification autumn

SPAIN Parliamentary ratification by year-end

UK Parliamentary debate in late autumn. Ratification if Danes agree

EC must regain its street credibility

David Gardner looks at the implications of the French vote for Community democracy

"EITHER Europe will become more and more democratic... or Europe will be no more," Mr Jacques Delors, president of the European Commission, forecast five days before Sunday's marginal victory *for Maastricht in France's referendum.*

Appropriately enough, he was speaking in Strasbourg at the 40th anniversary ceremony of the European Parliament, the body which is supposed to act as the EC's democratic watchdog and antennae, but which has signally failed to establish its legitimacy with Europe's *citizens.*

The parliament's failure, however, is only part of the democratic shortcomings of a Community which, while sincerely defending the values of democracy, legislates and decides in ways which are becoming more and more removed from the people, and beyond their control.

Since "Europe" came into being 40 years ago, it has been the enterprise of the elites – "benign despotism". Mr Delors called it in his Strasbourg speech. France's Le Nouvel Observateur last week caught how probably most people visualise EC workings, publishing a photograph of a sharp-suited man against a backdrop of the 12-starred Community flag and with a paper bag over his head.

EC paper bag-wearers include not only the "faceless bureaucrats" of Brussels, or the "lost tribes" of Euro-MPs in Strasbourg, but *national ministers and officials* who come to Brussels almost weekly to reach decisions they seldom seek, or are required, to justify before anybody. The divisions across Europe exposed by the campaigns to ratify Maastricht suggest either that this game is up, or, as Mr Delors suggests, European union will never win popular legitimacy.

The Commission and the 12 are seeking a remedy in "subsidiarity". This typically non-user-friendly concept means decisions should be brought closer to the people. The EC would act – with the Commission proposing and the 12 deciding through the Council of Ministers, subject to some amendment by the European Parliament – only when national action would be demonstrably less effective.

But subsidiarity, while needed to delineate responsibility and avoid clashes which fuel popular suspi*cion of "Brussels", is unlikely to* make the EC democratic. That would at least require reforming the operations of Council, Commission and parliament, a greater role for national parliaments in holding EC lawmakers to account, more open decision-making and debate, and better explanation.

The Commission is already studying how to shrink itself into a more effective, politically alert body. The parliament is working on similar lines, in an attempt to transform its cumbersome and too often frivolous procedures.

Despite what one of the driving forces in the Commission describes as its "millenarian ideology", the Brussels bureaucracy is probably savvy enough to mutate sufficiently to survive as a shaping force in the EC.

The parliament is in worse shape. The 518 MEPs, and indeed member states like Germany, Denmark, the *Netherlands and Belgium*, were unhappy at the modest increase in power which Maastricht gives Strasbourg. It now has amendment rights it exploits insufficiently. Under the treaty it would get more equal say on EC laws with the Council, more control over the Commission, and a review of its powers in 1996.

But the most lucid minds in Strasbourg recognise that the parliament has failed to connect with its dwindling electors. "At the moment this parliament has no priorities," says Mr David Martin, a respected Labour MEP and vice-president of the parliament. "You have to identify where you can wield influence.

"We have to admit that we're not using properly the powers that we already have," he says. If Maastricht gets through, he argues, MEPs should put aside ambition for more power from the 1996 review, *and "justify our new powers, dem*onstrate that we are an effective body, not say we are not effective because we have insufficient powers."

Denmark's rejection of Maastricht in June, he adds, "could be just the bucket of cold water we need, rather like it has been for the Commission."

There is so far, however, little sign of the cold shower the Council needs. The Council, as well as making law behind closed doors, frequently passes the buck to the Commission for unpopular national policy, discrediting the whole EC enterprise. France recently, for instance, asked the Commission to propose an EC driving penalty points system, similar to the one which provoked French truckers to gridlock France's roads in the summer. Brussels sensibly invoked subsidiarity and refused.

Maastricht compounds the demo*cratic shortcomings* of the Council by placing the new foreign and internal security policies outside the EC remit. This provides for member states to act jointly, outside the effective oversight of either national parliaments or Strasbourg.

Ideas to staunch this leakage of accountability range from opening up Council lawmaking to the public, to a greater role for national assemblies.

The compromise is likely to involve greater national parliamentary control over the Council. "We must exploit the legitimacy of national parliaments through ways and means which depend on each country," a senior Commission official says. "The idea that the European Parliament is the only source of legitimacy in the Community is dead."

But it is far from clear whether such a national parliamentary role will do more than massage national MPs' egos. The same official, formerly a high-flier in the French administration, acknowledges that Paris and Brussels always deal direct, without even passing reference to the French National Assembly. Denmark's Folketing, which keeps the closest watch on EC law, revealingly favoured more powers for Strasbourg in the Maastricht Treaty.

The UK House of Commons is, to say the least, lively on Europe, but MPs seem more concerned to score points than examine detailed measures.

One of its better-known practitioners, *Mr John Biffen*, said after the Danish vote: "The instinctive prejudices and wisdom of street politicians hold the key to Europe's future, not those of the good and the great." If he is right, the EC does not have much time left to get down to street level.

Poll reveals gulf between French leaders and voters

By William Dawkins in Paris

FRANCE'S 51.05 per cent majority vote for European monetary and political union has given President François Mitterrand a reprieve, but signals a profound change for French politics.

The first outlines of the new landscape started to emerge yesterday as the broadly pro-European political establishment, both left and right, began to take in the sombre message of the vote. It showed that the main parties' policies on the wide range of subjects in the Maastricht treaty are out of kilter with the views of nearly half the electorate.

"The problem of Maastricht has been sorted out, but the problem of France is another story. This country is manifestly troubled," warned former president Valéry Giscard d'Estaing, head of the centre-right UDF. Mr Laurent Fabius, first secretary of the Socialist party, added: "We will have to take account of the French who voted No."

Alarmed party leaders were already starting to reposition themselves yesterday for legislative elections due next March. The governing commit*tees of the Socialists*, RPR Gaullists and Communists are all to meet in the next week.

There were reports that Mr Pierre Bérégovoy, the prime minister, was urging a snap parliamentary poll, before the RPR Gaullist party had time to reconcile the internal splits opened by the campaign. Mr Fabius disagreed, partly on the grounds that the Socialists need more time to seek an alliance with the ecology parties, both of which are mainly pro-Maastricht and which represent a combined 14 per cent of the electorate.

Meanwhile Mr Jacques Chirac, the pro-Maastricht president of the mainly anti-treaty RPR Gaullist party, is set to demand a vote of confidence in his leadership at a meeting of the party's national council tomorrow. Supporters of Mr Philippe Séguin and Mr Charles Pasqua, the leading anti-treaty rebels in the RPR, yesterday called on Mr Chirac to negotiate a fresh European policy with them.

For the time being, it looks as if a presidential election is not on the agenda. Mr Mitterrand has won the European gamble, and will probably want to take a hand in steering the remains of Maastricht or its successor through the EC. In theory, he can stay in the Elysée until April 1995, though few observers believe he will, in view of his illness and the thrashing the Socialists are expected to receive at the legislative election.

According to exit polls on Sunday night, the Socialists *and their allies would pull in a* mere 22 per cent of the votes in a legislative election, while the RPR and UDF would get a solid relative majority of 45 per cent.

The big challenge facing all the main parties as they prepare for the election campaign is how to tackle the deep regional, class and economic divisions opened up by the referendum debate. Sunday night's voting statistics reveal a *sobering pattern, decribed by* Mr Giscard d'Estaing as a map of the haves and have-nots.

As an indication of just how easily the result could have swung the other way, 54 of France's 96 *départements* – 56 per cent of the total – produced a majority No vote. It was perilously close; only 50.82 per cent of the electorate in mainland France voted in favour of the treaty. The final *votes from the overseas territo*ries and domains, in the South Pacific and Caribbean, lifted the total to 51.05 per cent.

Generally, the treaty got the thumbs-up from rich regions and cities such as Paris, Strasbourg, eastern France along the German border and Rhône-Alpes. The big surprise here is that Brittany, with its poor agricultural and fishing communities, was among those *regions to follow its politicians'* advice and come out with a solid Yes. Maastricht even won the day in La Trinité-sur-Mer, the birthplace of Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front and one of the treaty's most outspoken opponents.

The Noes were to be found in economically depressed regions like Nord-Pas-de-Calais, hit by the decline of traditional indus*tries; Picardy, north of Paris;* and Corsica and Provence-Alpes-Côte d'Azur. The poor port cities of Marseilles and Calais were also confirmed as hotbeds of Euro-scepticism.

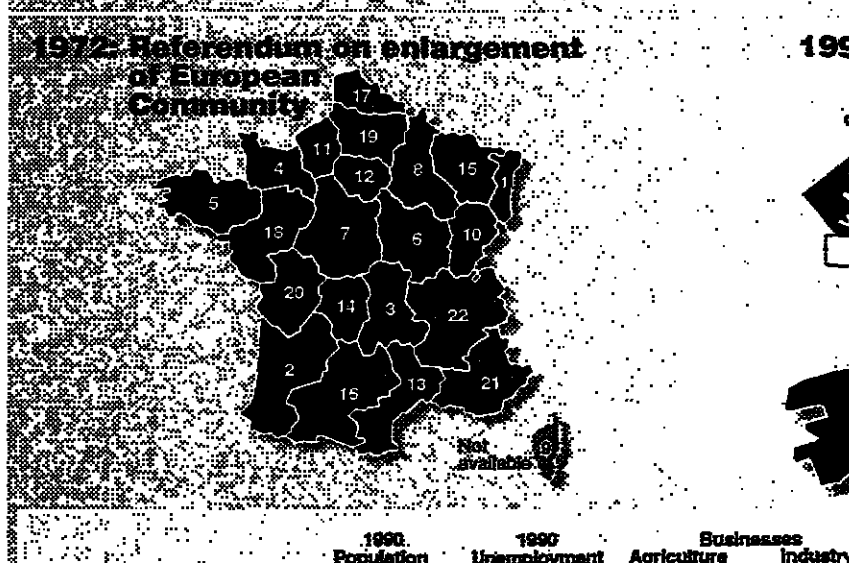
Generally, the pattern shows that economically vulnerable areas gave the thumbs down to their political leaders' Euro-enthusiasm. Exit polls reinforce that idea, showing majority opposition to the treaty *among farmers* and *industrial* workers, with support from executives and the professional classes.

The exit polls also showed that the RPR is not the only party to split over Europe, though it is the one with the deepest divisions. Around 60 per cent of RPR voters ignored Mr Chirac's pro-Maastricht policy and voted against, while around 40 per cent of UDF supporters ignored Mr Giscard d'Estaing's line and voted against. Among Socialist voters, 20 per cent defected into the anti-Maastricht camp.

In the days and weeks to come, the main parties' leaders have some hard thinking to do if they are to respond to their supporters' doubts in time for the legislative election.

France and European union

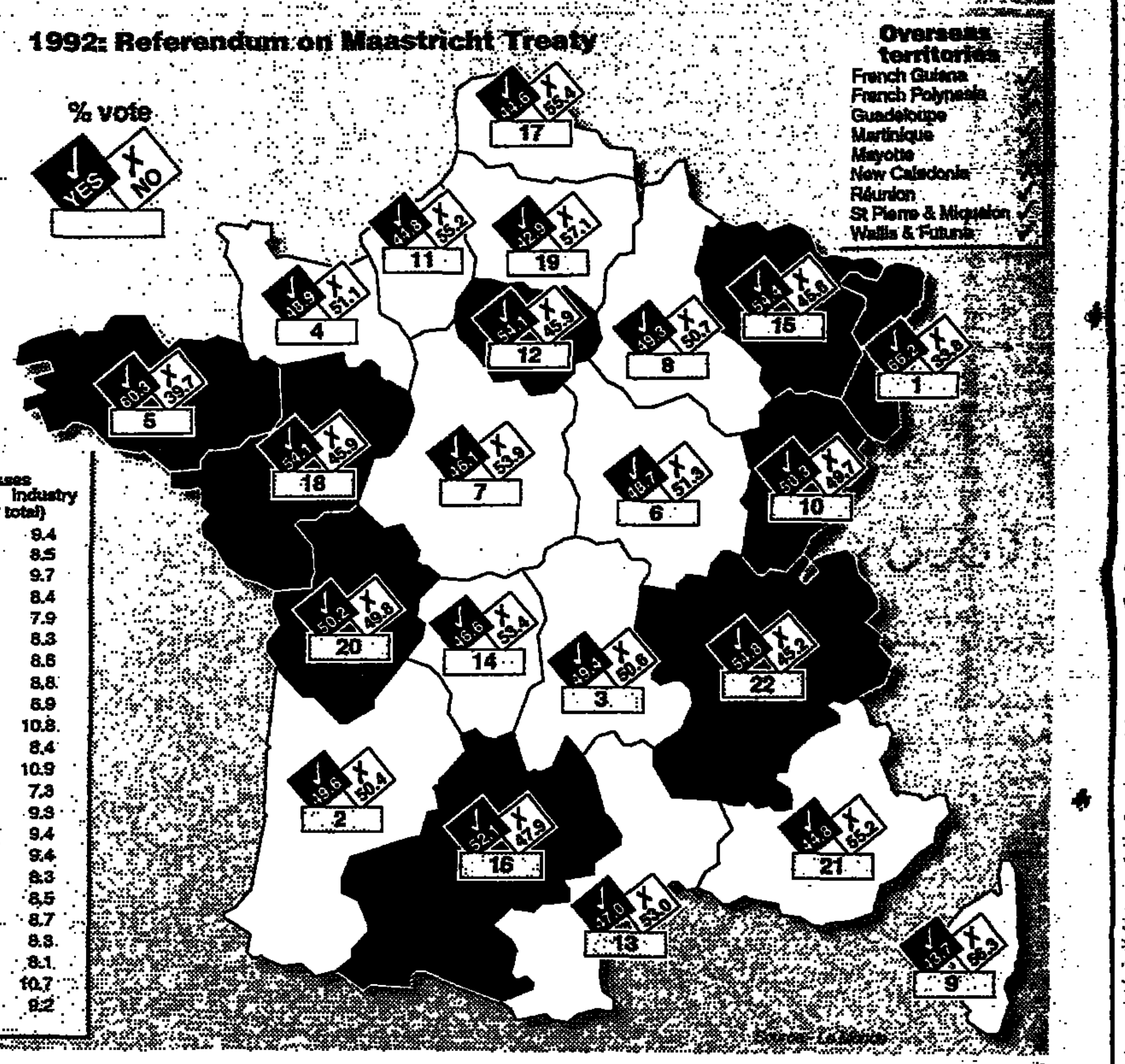
1972: Referendum on enlargement of European Community



	1990 Population ('000)	1990 Unemployment (%)	Businesses Agriculture (% of 1988 total)	Businesses Industry (% of 1988 total)
1 Alsace	1,624.4	5.2	5.5	9.4
2 Aquitaine	2,795.8	10.1	10.4	8.5
3 Auvergne	1,321.2	9.3	9.8	9.7
4 Basse-Normandie	1,391.3	9.0	12.0	8.4
5 Brittany	2,795.6	9.5	11.6	7.9
6 Burgundy	1,609.7	8.1	12.8	8.3
7 Centre	2,371.0	7.9	14.2	8.6
8 Champagne-Ardenne	1,347.8	9.2	15.3	8.8
9 Corsica	250.4	9.7	3.5	6.9
10 Franche-Comté	1,097.3	7.0	6.9	10.8
11 Haute-Normandie	1,737.2	10.7	6.9	8.4
12 Ile-de-France	10,660.6	7.3	0.6	10.9
13 Languedoc-Roussillon	2,115.0	13.1	7.4	7.3
14 Limousin	722.9	7.8	16.3	9.3
15 Lorraine	2,305.7	8.5	5.5	9.4
16 Midi-Pyrénées	2,430.7	8.9	7.0	9.4
17 Nord-Pas-de-Calais	3,965.1	12.5	5.2	8.3
18 Pays de la Loire	3,059.1	9.6	12.4	8.5
19 Picardy	1,810.7	9.7	8.5	8.7
20 Poitou-Charentes	1,595.1	10.1	13.2	8.3
21 Provence-Alpes-Côte d'Azur	4,257.9	10.9	2.8	8.1
22 Rhône-Alpes	5,350.7	7.3	5.1	10.7
TOTAL	56,615.2	8.9	6.9	9.2

Source: Insee

1992: Referendum on Maastricht Treaty



Mixed feelings in Bonn on result

By Quentin Peel in Bonn

ON Maastricht, the German body politic seems to want to eat its cake and have it.

One side – Chancellor Helmut Kohl, his government and the main parties – says full steam ahead: lingering doubts about the meaning of Maastricht, and the implications for the D-Mark, must be subsumed in a rapid ratification process.

"Maastricht is not going to fail because of Germany," says Mrs Heidemarie Wieczorek-Zeul, EC spokesman for the opposition Social Democrats (SPD), normally die-hard opponents of the chancellor.

The other side – many of the same people, plus business and industry, the financial establishment, and politicians outside the Bonn hot-house – simultaneously wants a breathing space, time for some fine-tuning, even for a little reconsideration about the revolution implied by economic and monetary union (Emu).

"The direction of Maastricht is the right one, but the speed will depend on how quickly we can solve the problems," Mr Volker Rühe, defence minister and close associate of Mr Kohl, said yesterday. One cannot create a European currency "artificially", he said.

Outside the establishment there are those who want noth*ing to do with Maastricht at* all. In spite of growing public sympathy, they have made no impact on Bonn. Their campaign for a referendum does not look likely to succeed – because of the shambles of the French referendum and, more important, because of memories of the misuse of referendums in the Weimar republic, when they undermined the elected parties and contributed to the rise of Hitler.

Even those fighting for ratification admit that the process – due to begin with a first reading in the Bundestag on October 7 – is no longer the end of the issue. For the demand by both houses of parliament to have another debate before moving to the final stage of Emu, in 1997 or 1999, is now recognised as a chance to halt any automatic move to a single currency.

"No German government will go ahead [to Emu] if the Bundestag refuses to accept *that the economic convergence* criteria have been fulfilled," a senior government official said yesterday. "And Emu without Germany would not happen."

The view that is gathering momentum, however, is that the EC is condemned to become a multiple-speed community.

As a result of the divided *establishment view, there is* something of a love-hate relationship towards those seen as complicating the process: first Denmark, then France, and now Britain.

The Danish No vote was welcomed by many pro-Europeans for forcing the German public to focus on the Maastricht Treaty for the first time. It was welcomed by opponents for liberating the debate and allowing Germans to dare to say No in the opinion polls.

'Emu without Germany would not happen'

The French referendum was watched in trepidation throughout the establishment for fear it would undermine Germany's most important partner in all Community affairs. With the result out, no *one is quite sure the tiny* majority for the Yes vote will not have the same effect.

Attention is turning to the British reservations, just as the British are indulging in a dose of Germany-bashing. One voice of the establishment says: "Press on regardless. They will never be true Europeans." Another voice says: "How can *we help them stay on board?* For we sink or swim together."

"Great Britain must decide," says Mr Karl Lamers, foreign affairs spokesman of Mr Kohl's Christian Democrats. "There is a growing temptation for people to pull back into their national snails' shells. It is an illusion. It is an expression of fears, a flight from reality. The reality is called Europe."

What Germany can do for British Prime Minister John Major is return to the issue on which the two stand relatively united: the need to reinforce so-called subsidiarity – maximum devolution of decision-making – and the protection *of national identities in the* Maastricht Treaty.

That was the key new element in Mr Kohl's statements on Sunday night and yesterday, in the wake of the referendum result. Otherwise he was merely insisting that Maastricht must be ratified by all member states, and that European political union must move hand-in-hand with economic union.

"We must all ensure that the Europe of Maastricht is a democratic and citizen-friendly Europe, which respects and promotes the national identity, history and culture of all member states and their regions, a Europe which is built on the *basis of 'unity in diversity'," he* said.

However, the simultaneous German concern is that UK fury at the fall of the pound, and its accusations of German complicity, may fatally undermine British willingness to find ways of pushing the Maastricht process forward. That would be serious if Britain were just one of 12 members round the table. It could be disastrous with Britain currently occupying the presidential chair and so responsible for promoting compromise.

In particular, Mr Major's suggestion that the emergency summit in October might consider ways of reforming the European Monetary System and its exchange rate mechanism is regarded as wild and dangerous in Bonn.

One German official said yesterday: "I don't see how you can negotiate at a European summit, in front of 5,000 journalists, about the future of the *monetary system. The markets* would go wild.

"We need a summit meeting well prepared to do some stock-taking and to agree on how to get the ratification process through. We need to answer the problems of both Denmark and the UK. We still have not given up hope with the UK."

Uruguay Round negotiators take a downbeat view

By Frances Williams in Geneva and Nancy Dunne in Washington

TRADE negotiators involved in the stalled Uruguay Round of global trade talks in Geneva were yesterday downbeat in assessing post-referendum prospects.

"I'm not sure the French vote is going to be all that helpful," said one European official, pointing to continuing political uncertainties on both sides of the Atlantic. The six-year-old multilateral negotiations have been moribund for months because of failure by the US and the European Community to resolve differences over farm trade reform.

EC farm ministers meeting in Brussels also saw little prospect of an early breakthrough. France's Mr Louis Mermaz was quoted as saying only that "the US must change its position". Senior trade officials from the *"quad" countries* – US, EC, Japan and Canada – meet in Geneva tomorrow to assess prospects for the round.

The US administration has launched a final effort to conclude the round this year. The president has twice mentioned the urgency since the French Maastricht vote – in a speech to finance ministers on Sunday and to the UN yesterday.

In a speech to the Institute of International Economics in Washington, Mrs Carla Hills, US trade representative, yesterday spoke of the "window of opportunity" and the need to get the deal-making done this year in order to get a completed text to Congress by the March 1 deadline.

Talks over services and market access are both scheduled. Now that the Maastricht vote is past, Mrs Hills said, "perhaps the Commission and the members states can dedicate themselves to carrying out the G7 commitment of seeing to it that the round is concluded by the end of the year."

Failure to reach agreement by the end of next February, when the US "fast-track" negotiating authority expires, would almost certainly sink the 108-nation round.

But senior trade diplomats in Geneva worry that politicians may still be unready to make the often painful compromises needed for a settlement. "I see no evidence the EC will be ready to deal," said one.

Continued anti-Maastricht feeling in Europe, including Britain, which holds the EC presidency, along with currency turmoil and domestic difficulties affecting Germany, France, Britain and Italy, will continue to paralyse decision-making, some negotiators fear.

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MAASTRICHT: AFTER THE FRENCH VOTE

IMF IN WASHINGTON

Interest rate gap 'should be reduced'

By Michael Prowse in Washington

GERMAN interest rates should be lowered and US rates increased, Mr Carlos Solchaga, Spain's finance minister and chairman of the IMF's policy-making interim committee, indicated yesterday.

He said world economic recovery was being held back because "German rates are too high and US rates too low". The differential in rates had to be reduced if countries were to achieve sustained growth and greater currency stability.

Countries would have to co-ordinate their policies more effectively if the kind of turbulence in financial markets experienced last week was to be avoided, he said. Mr Solchaga was speaking at a press conference in Washington to release the communiqué of the IMF's interim committee.

Mr Michel Camdessus, IMF managing director, echoed Mr Solchaga's call for greater economic co-operation, arguing that recent events had shown with "crystal clarity" the inter-dependent nature of countries' policies.

Mr Camdessus said he was not pressing for an immediate raising of US interest rates. However, the Federal Reserve should ensure that economic recovery was promptly accompanied by "moderate and progressive" increases in rates.

The importance of policy co-ordination and the need for economic convergence within Europe was underlined in the communiqué. It said countries had to improve the balance between fiscal and monetary policies if they were to achieve a narrowing of interest rate differentials.

Mr Camdessus said yesterday that President George Bush's suggestion on Sunday that greater use be made of commodity price indicators in co-ordinating economic policies was "timely" and would be explored further.

However, the IMF already made use of commodity prices, including gold, as a "forward-looking indicator" of economic developments.

Mr Camdessus again called on industrial countries to consolidate their budgets. The route to sustained growth lay in reducing long-term interest rates by cutting the proportion of national savings absorbed by public sectors.

Turning to the outlook for developing countries, Mr Camdessus said substantial progress had been made in reducing debt burdens. The ratio of debt to gross domestic product had fallen by a third – from 180 per cent to 120 per cent – in the past seven years. In many countries debt was "no longer an impediment to growth".

The communiqué also praised the reform efforts under way in central and eastern Europe.

Questioned about the narrow Yes vote in France's referendum on the Maastricht Treaty, Mr Solchaga said that having received a democratic Yes in France the ratification process should continue.

Mr Solchaga expressed confidence that the Italian lira would return to the European Exchange Rate Mechanism soon but he believed the British authorities had no intention of an early return for the pound.

Argentine debt talks, Page 8

Michel Sapin, the French finance minister, chats to his German counterpart Theo Waigel, right, as IMF delegates gather at the White House

France and Germany insist franc is healthy

By George Graham and Peter Norman in Washington

FRANCE and Germany, the two strongest remaining members of the Exchange Rate Mechanism, yesterday mounted a concerted effort to talk up the French franc as it fell on currency markets following the Maastricht vote.

The support came amid rumours in Washington of a big flight of funds from France into the D-Mark. Yesterday, despite Bank of France intervention, the franc dropped to within one centime of its ERM floor against the D-Mark.

Mr Michel Sapin, the French finance minister, predicted that the financial markets would calm down when they took the full measure of the French referendum.

Mr Helmut Schlesinger, the Bundesbank president, insisted the franc was a fundamentally healthy currency. He underlined that France had a lower inflation rate than Germany and that the rate of wage inflation in its public sector was half the German level.

Mr Theo Waigel, the Bonn finance minister, said there was no reason to doubt the French franc and predicted that speculators against the currency would suffer.

Mr Sapin said the European Monetary System had not emerged unscathed from last week's turmoil, and dampened expectations of a rapid cut in French interest rates. "I said a Yes would open the prospect of a reduction in interest rates. That remains profoundly true," Mr Sapin said, noting that last week's Bundesbank interest rate cut, although small, was an "absolutely considerable reversal of trend". But he said Europe would have to "bandage its wounds" after the currency market turmoil.

Privately, French officials are pleased by what they see as new respect for the franc's solidity after its test last week. "The Americans don't talk to us about the franc the way they used to. The Germans don't talk to us about the franc the way they used to. If the German monetary authorities, who are notoriously demanding, notice that, then others will have noticed too," said a finance ministry official.

US puts commodities index at centre-stage

Peter Norman on plans for stabilising currencies

IF at first you don't succeed, try, try again.

That at any rate seems to be the motto of Mr James Baker, President George Bush's chief of staff and sometime US Treasury secretary.

Mr Baker is deemed to be the man behind President Bush's proposal that countries use a basket of commodities, including gold, as a means of co-ordinating exchange rate movements.

The president put the idea to finance ministers assembled in Washington for the annual meeting of the International Monetary Fund in a speech on Sunday. The US put forward a similar idea at an IMF annual meeting five years ago when Mr Baker was in charge of the Treasury.

But what is the basket of commodities supposed to do, and how could it help stabilise currencies?

In spite of the tantalising reference to gold, the US suggestion does not amount to a proposal to restore the gold standard for currencies of pre-first world war days.

Instead, the US idea is a development of the process, which exists at present in a low-key form, by which the leading industrial countries are supposed to co-ordinate their economic policies with reference to an agreed batch of economic indicators.

An index of commodity prices, including gold, already exists. The US wants countries to monitor this index as a "reference point" in the exchange rate system.

Too sharp a change in the index in any given currency could indicate whether an economy was moving out of line with other industrialised economies. The basket could, in this way, stimulate or even trigger corrective action.

The US idea is to create a new element of discipline in international monetary relations that is not as rigid as the fixed or semi-fixed exchange rate regime of the European Monetary System.

The commodity basket with gold would, however, be more effective than simple peer group pressure exercised in meetings of the Group of Seven leading industrial countries. The present divergences of economic policy among the Group of Seven are a poor advertisement for peer group activities.

US trading partners wonder if a commodity index is the right approach

There is a thirst for new ideas on how to manage the world economy. Mr Michel Camdessus, the managing director of the IMF, has urged member countries to come up with proposals.

Mr Norman Lamont, the British chancellor of the exchequer, in his speech to the IMF's policy-making interim committee, underlined that countries "need to improve co-operation and redouble efforts at policy co-ordination" on a worldwide basis.

Last week's crisis in the European Monetary System has shown the dangers of a fixed or semi-fixed rate regime when economic fundamentals get out of kilter with exchange rates.

But is a commodity index the right approach? America's trading partners tend to be sceptical.

Commodity prices can be very volatile, making such an index an unreliable guide to economic conditions. There is also a suspicion that the US as a leading producer of primary commodities and gold would benefit from the scheme more than other industrial countries.

Other nations are uncertain how far the US, or any other country, would be bound to act by any movements in the index.

There is also a puzzle over the economic rationale behind the proposal.

When the US first advanced the idea in 1987, its interest rates were in double digits and it was seen as a way of possibly justifying lower borrowing costs. Now short-term US interest rates are at their lowest level since 1963.

The rebirth of the idea probably owes far more to electoral politics. The hint of a new gold standard could appeal to the right wing of the Republican party and probably win President Bush some approving editorial coverage in the Wall Street Journal.

The president's intervention also has given the impression that the US has a constructive role to play in the present uncertain international monetary climate, at little cost to the US Treasury.

'Recovery is under way but sluggish and uneven'

Extracts follow from the communiqué of the interim committee of the board of governors of the International Monetary Fund:

"IN industrial countries, recovery is under way, but it remains sluggish and uneven, unemployment is unacceptably high, and recent exchange market tensions have increased uncertainty. Inflation and interest rates have declined significantly in a number of countries. . . the recent currency turmoil forcefully illustrates the importance of reinforced policy co-ordination, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe. . .

The committee welcomed the actions recently taken to reduce market tensions and noted the resolve of major industrial countries to co-operate closely and to take appropriate additional actions as needed to strengthen growth without rekindling inflation and to foster greater currency stability. . . key countries need to co-operate closely. . . to bolster confidence and improve the balance between their fiscal and monetary policies, thereby facilitating a narrowing of interest rate differentials.

Monetary and fiscal policies should aim at a lasting decline in long-term interest rates through a reduction in public sector borrowing and a further lowering of inflation expectations. Vigorous action must be taken to eliminate structural rigidities that impede employment and productivity growth. An early, successful conclusion of the Uruguay Round [of trade reform] would be an invaluable contribution.

The committee welcomed the steady and successful implementation in many developing countries of sound economic policies and structural reforms.

The committee praised the progress being made by the countries of central and eastern Europe in reforming their economies under Fund-supported programmes. There has been progress against inflation and there is some evidence that the sharp contraction of output may be coming to an end. However, the prolonged weakness of activity in some countries underlines the need to carry through further reforms quickly.

The committee welcomed the evidence of further gains under the debt strategy. A number of developing countries, however, have yet to secure decisive solutions to their debt problems. The committee commended the Paris Club's provision of greater debt relief for low-income countries in the framework of strong adjustment programmes, and its readiness to consider a reduction of the stock of debt after a suitable period of adjustment."

Two crucial questions ahead for the EMS

Can order be restored to Europe's currency markets, ask **David Marsh and James Blitz**

MORE THAN ever, the future of the European Monetary System *(EMS)* lies in the hands of the German Bundesbank. After the devaluations of the past fortnight and the indecisive French referendum result, currency markets face two crucial questions.

Does the German central bank care enough about the short-term stability of the system to make life easier for the "hard core" of currencies which remain linked to the D-Mark? And will this month's devaluations by Italy, Britain and Spain – whose combined gross national product makes up 43 per cent of overall EC output – lead inevitably to further pressure on weaker currencies to follow suit?

To the first question, the Bundesbank yesterday responded with a polite but firm No. Mr Helmut Schlesinger, the Bundesbank president, a veteran of the tortuous *discussions at the end of the* 1970s on how the system would affect the Bundesbank's freedom of manoeuvre, ruled out EMS reforms. Speaking in Washington, he warned that EMS partners could not expect Germany to cut interest rates in the interests of the weaker members of the system.

To the second question, currency dealers came up with their own answer: a somewhat less polite No. By driving down the French franc, as well as other softer currencies such as the Irish punt, against the D-Mark, the foreign exchanges are signalling the risk of more devaluations to come.

After the narrow vote in favour of Maastricht, France remains hopeful that the Bundesbank can be persuaded to take a more conciliatory monetary stance, as part of further development of the EMS. Mr Jean-Paul Betbéze, chief economist at Crédit Lyonnais in Paris, said the system needed to evolve into "a more political and less technocratic" arrangement. He was confident that further cuts in German interest rates in coming months would be accompanied by a narrowing of the interest rate differential between the D-Mark and the French franc.

A less sanguine view was taken by Mr Mark Austin, chief economist at Hongkong and Shanghai Banking Corporation. He said the ambivalent French result and the departure of sterling and the Italian *lira from the Exchange Rate* Mechanism may spell the death of the EMS.

"For five years, fund managers and currency investors have assumed that there will be a single European currency and that they could invest in Spanish equities, Irish gilts and *Danish mortgage bonds* with impunity," he said. "That view has been damaged by the French vote." The Bundesbank will clearly be taking time to ponder the opportunity for interest rate cuts – even though these may become necessary for the good of Germany's own sluggish economy.

The Bundesbank and other central banks have carried out an unprecedented DM60bn of intervention to prop up weak European currencies during the last few weeks. As a result, the Bundesbank is withdrawing liquidity from the German money markets to "sterilise" the effect of the intervention on domestic liquidity – a factor adding to the strength of the D-Mark.

Another area of concern on the exchange markets is that countries with currencies which have not yet devalued, but which carry out significant trade with "softer currency" nations, may be forced into devaluation to maintain competitiveness.

This has undermined confidence in the weaker currencies in the EMS, including the Spanish peseta, the Portuguese escudo and the Irish punt. Investors had bought them in the belief that their respective countries would abide by the stringent convergence criteria set out in the Maastricht treaty.

Market attention yesterday was focused on the French franc. The franc appreciated to *FFr3.39 against the D-Mark in* the immediate aftermath of the referendum result, but later came under renewed pressure and fell to within a centime of its ERM floor of FFr3.4320, despite intervention by the Bank of France.

Mr Paul Chertkow, global currency strategist at UBS Phillips and Drew in London, said that he did not expect to see the franc come under the kind of speculative attack that afflicted the lira and sterling. "There is no obvious case for a franc devaluation, and the strength of the French economy makes me think that there is even some reason to expect a revaluation," he *said*.

However, the departure of sterling and the lira has made dealers question whether other EMS parities can be kept unchanged. "If the market builds up a head of steam against the French franc it could still blow the Bank of France off course," Mr Chertkow said.

The franc could be undermined if the August figure for M3 money supply in Germany, due out this week, turns out higher than expected.

Even if the franc manages to stay above its floor, the weaker ERM currencies could still be tested.

The Irish punt is particularly vulnerable because of the recent devaluation of sterling. The UK accounts for nearly 40 per cent of Irish trade, and some analysts believe that sterling's *devaluation will upset* the country's trading position unless the Bank of Ireland carries out a similar move.

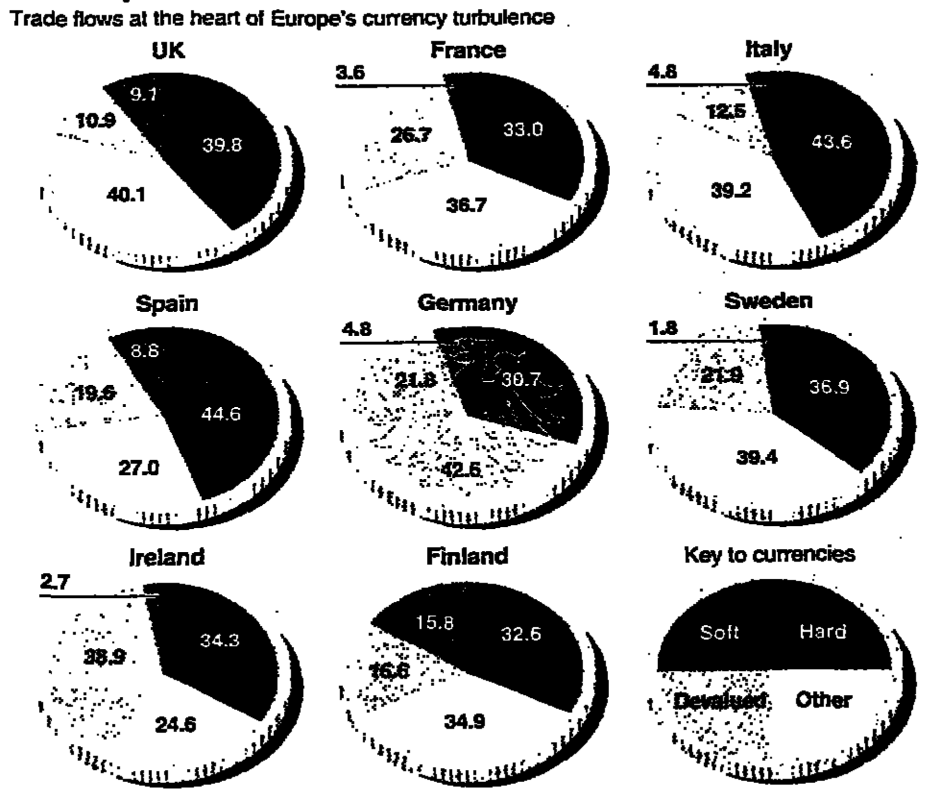
The Danish krone is suspect, because of the high risk that the Swedish krona will be devalued. Among Denmark's *main trading* partners are Sweden, Finland and the UK, all of whose currencies are among Europe's softest.

The future of the system may ultimately depend on whether political leaders are prepared to refashion it. After the turmoil of the last week, foreign exchange analysts believe that, at best, the EMS will develop into a two-speed system, in which the currencies of France and the Benelux countries are linked closely to the D-Mark and the remainder, including sterling and the lira, float within very broad parameters.

However, last night currency dealers were not in the mood to take wagers on whether even a two-speed system would prove durable.

Who exports to whom

Trade flows at the heart of Europe's currency turbulence



Hard: Germany, France, Belgium, Luxembourg, Denmark & Netherlands Devalued: Italy, UK, Spain & Finland
Soft: Greece, Ireland, Portugal & Sweden Other: Rest of the world
The chart chows the percentage of each country's total exports sold in 1991 to the "hard", "soft" and "devalued" currency countries, inside and outside the exchange rate mechanism

Source: IMF, Trade ministries

Floating pound not an option, says Pöhl

By Michael Prowse in Washington

A FREELY floating exchange rate is not a realistic option for any European country, according to Mr Karl Otto Pöhl, the former Bundesbank president.

In a pointed reference to Britain's withdrawal from the exchange rate mechanism, he said decoupling an exchange rate from the D-Mark would not allow greater freedom in the conduct of fiscal and monetary policy.

The US was big enough to float its currency but any European country trying to float would fall into a "vicious circle" of depreciation, inflation and more depreciation.

After "the failure of British exchange rate policy last week", the only way forward lay in re-establishing "near fixed rates" and moving toward a common European monetary policy.

He remained optimistic that *Europe would move towards a* common currency and central bank. However, only a "multi-speed" approach to economic and monetary union now looked feasible.

Mr Pöhl, who was delivering the annual Per Jacobsson lecture at the IMF/World Bank meeting in Washington, said the Bundesbank should not bear all the blame for last week's debacle. It was "generally acknowledged that the UK joined the ERM at too high an exchange rate. DM2.95 was wishful thinking."

He also criticised the timing of British entry into the ERM, arguing that it was predictable that German unification would impose strains on the system.

Last week's events reminded him of the breakdown of the Bretton Woods exchange system *in the early 1970s. The* latest crisis "was not very well managed". As in the 1970s there was "no co-ordination and no leadership".

He was convinced the crisis could have been avoided had European finance ministers agreed a "credible" package ahead of the Maastricht vote. This should have included a realignment involving more currencies than the lira and a more substantial cut in German interest rates.

Mr Pöhl said problems had been caused by failing to *exploit the flexibility built* into the European Monetary System. In the absence of a monetary union, exchange rate adjustments were sometimes desirable and necessary.

Fleeting relief but European concern lingers

By Our Foreign Staff

EUROPEAN business leaders, reacting on the whole with relief to the French referendum result, yesterday assessed the impact of the narrow Yes vote on their national economies and currencies.

In Spain the initial positive reaction from business was replaced by concern over how the government would respond to the continued threat to the value of the peseta.

Mr Jose Maria Cuevas, leader of the CEOE employers' federation, said that while "the referendum result clears away some of the uncertainties after *such great drama*", the government had to begin implementing measures which would complement the 5 per cent devaluation in the peseta, agreed in Brussels last week.

This, he said, would not only involve the tight budget promised for 1993 but also tackling structural rigidities in the labour market: "We have to be humble and admit that our economy is not sufficiently competitive."

Mr Enrique Portocarrero, president of the Circulo de Empresarios Vascos, an influential Basque employers' group, said despite the French vote: "We are still worried. The vote does not clear the horizon for us, especially as the finance minister appears not to have ruled out a further devaluation." That would assist exporters but the inflationary consequences would delay any interest rate cuts.

The question in France itself was how the franc would fare and whether Mr Michel Sapin, France's finance minister, would be able to fulfil his aim of reducing interest rates.

Mr Robert Lion, chairman of Caisse des Dépôts, one of France's largest financial institutions, said the referendum "paved the way for the French economy to return to growth". However, he warned that the government should not be tempted to relax its tight control over the economy.

In Italy, business leaders said the result might help reduce the currency market turmoil affecting the lira, which along with sterling was withdrawn last week from the European exchange rate mechanism (ERM). However, they also stressed that the outcome would maintain the pressure on Italy to pursue monetary and fiscal discipline.

Mr Cesare Geronzi, managing director of Banca di Roma, Italy's biggest banking group, said the French decision had led to "the disappearance of a first cloud over the political and economic future of our countries. Now we need to straighten out the economic and financial situation and refocus our concentration on Italy's own financial recovery".

Mr Arturo Ferruzzi, *the* chairman of Ferruzzi Finanaziaria, the holding company controlling Italy's second biggest private sector group, said: "France has again given Europe a chance. But this opportunity needs to be managed with great prudence, *because it will probably* be the last.

Mr Hilmar Kopper, Deutsche Bank's chief executive, said the opportunity remained for Europe "to coalesce into a large and strong single currency region". However, "it would be irresponsible to try to squeeze all EC nations into the programme at the same time."

British business leaders' focused on the greater freedom of economic policy action provided by the suspension of sterling's ERM membership.

Lord Sterling, chairman of P&O, said that the immediate priority for the UK economy, had to be a reduction in UK interest rates. "There is no point looking over our shoulders and blaming the Germans. We need to put our own house in order."

Mr Roger Wood, financial director of construction company Wimpey, said: "The effect on our sector is at best marginal. What is needed most is early clarification by the British government of its political and fiscal strategy and how it intends to restore confidence."

By Peter Bruce in Madrid, Haig Simonian in Milan, Alice Rawsthorn in Paris, Andrew Fisher in Frankfurt and Jimmy Burns in London.

Meanwhile...the single market plods on

The lifting of internal barriers on December 31 may give EC leaders a rallying point, writes **Andrew Hill**

IN recent weeks the erratic course of the Maastricht hare has inevitably distracted spectators from the plodding progress of the single market tortoise, now less than four months from the finish line.

The French Yes is not even on the formal agenda of EC internal market ministers, meeting in Brussels today. But the lessons of the referendum campaign – and of *the Danish* vote in June – have important implications for the single market programme.

First, many of the anxieties are less a response to the Maastricht Treaty than a belated reaction to the 1986 Single European Act, which launched the internal market project.

In France, only the most protectionist No campaigners attacked the *grand marché* itself. But claims of meddling from Brussels – for example, over unpasteurised Camembert cheese – or dark apocalyptic fears of, say, unrestricted immigration, sprang from suspicions of what a barrier-free Europe might involve.

Some Brussels officials believe a No vote would have prompted widespread resistance to existing legislation, with subsidiarity as the rallying cry, and national self-interest as the real driving force.

"With a Yes vote, the temptation will now be less great, but nevertheless it is still there," warned one Commission official yesterday. "Many people have realised they can indulge in an exercise of Brussels-bashing without really getting kicked back."

Continuing sensitivity about Brussels' image in the EC could still hamper installation of the final pieces of the single market – including some of the controversial and most *far-reaching elements*.

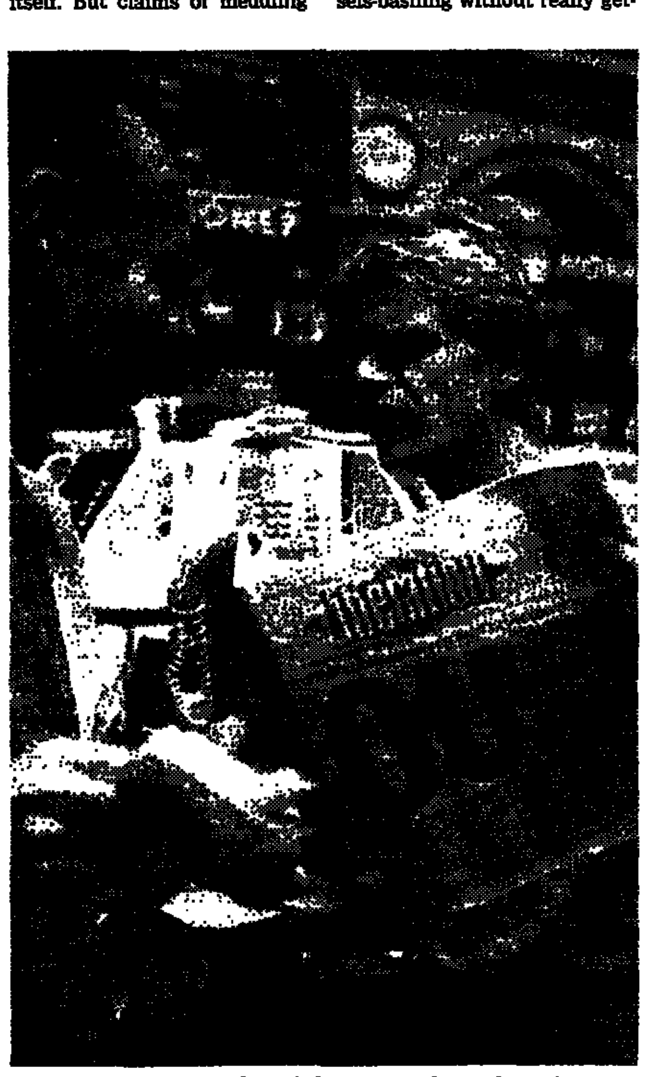
It is worth asking, for example, whether the Commission and the British presidency will maintain the pressure on reluctant member states to open up the energy market. The Commission's plans to encourage wider access to gas and electricity networks, a particular aim of the British government, have already been watered down. But even in their dilute state they brought thousands of French energy workers to the streets of Brussels.

Similarly, fragility of the political consensus could temper Commission attacks on public monopolies under Article 90 of the Treaty of Rome. That article – which *could be used against energy,* postal and telecommunications monopolies – allows the Commission to legislate without approval of member states.

Advocates of Article 90 – of whom the most prominent is Sir Leon Brittan, the competition commissioner – say nothing has changed. "In fact, *if* you look at it from a positive point of view, [Article 90] opens up previously monopolised sectors to competitions, to the benefit of consumers," says one competition official.

An incomplete and uneven internal market is the gloomy scenario. But it is also possible that having scraped through the French referendum, member states will rally round the project. That would be one way of demonstrating the mutual trust which has recently been lacking in other areas of Community co-operation. Britain, in spite of everything, is still best placed to lead such a rally, given its long-standing support for the internal market.

Exactly what will happen at midnight on December 31, let alone beyond, depends on the willingness of national governments to champion the single market. *But with the Community* still in turmoil, officials say the value of a symbolic, 12-strong lowering of internal EC barriers should not be underestimated.



Digesting the news: dealers at the stock exchange in Paris yesterday shortly before the opening of currency quotations

Lira to remain outside EMS

By Robert Graham in Rome

THE Italian government yesterday decided against *returning the lira to the European* Monetary System today for fear of further instability and costly interventions.

The decision to let the lira continue floating was announced by Mr Piero Barucci, the treasury minister, before returning from Sunday's meeting of Group of Seven finance ministers in Washington. It is a reversal of a pledge last Wednesday by the treasury and the Bank of Italy when the lira left the ERM, after falling through the floor set earlier in a realignment against the D-Mark.

Mr Barucci refused to be tied to a timetable for the re-entry of the lira into the EMS. However, officials in Rome said this was unlikely to a matter of days or even weeks. They said the authorities would be waiting to see whether the markets stabilised, while monitoring moves by Italy's partners to reassess the workings *of the EMS in the wake of the* turbulence of the last ten days.

The Italian government could now wait until parliament approves the 1993 budget, which was outlined on Thursday. The budget has to be approved by the end of the year and traditionally the parliamentary debate has lasted at least three months. If this is the case the lira could float until Christmas.

"It is better like this than risking a new fall (of the lira inside the EMS)," Mr Pier Carlo Marengo, managing director of the commercial bank Comit, said.

However, Italian officials were anxious to distance themselves from the British stance on an indefinite float of the pound. Mr Barucci said he was aware of Italy's obligations and was anxious to re-enter the EMS as soon as possible. The Italians recognise that without such a commitment they risk *alienating further the markets.*

Indeed, this desire to signal good intentions appears to have been behind Italy's pledge to return to the EMS today. At the time the markets were surprised the Italians could even contemplate returning so soon after the French referendum on Maastricht and when the outlook for European currencies remained unstable.

Yesterday the lira was trading at L838.98 against the D-Mark, showing marginally improved sentiment following the narrow French approval of Maastricht. But this represents a 10 per cent devaluation against the D-Mark, compared to the 7 per cent realignment permitted last Monday. One economist suggested a realistic floor might be L850 against the D-Mark.

The 1993 budget proposals, aiming to raise an extra L93,000bn in revenues and spending cuts, were discussed *yesterday between the prime* minister and representatives of the main trade union confederations, CGIL, UIL and CISL.

The unions have called a series of rolling four hour strikes by regions beginning today, to protest the severity of some of the measures. They are attempting to force the government to water down its intention to freeze public sector employment, ease the cap of pension outlays and reduce the cuts in free health care.

The unions are concerned that the inflationary impact of devaluation will undermine the agreement signed at the end of July with the government and the employers abolishing indexed wages. The preliminary inflation figures for September show an annualised rate of 5.3 per cent.

Sterling weakness hits punt

By Tim Coone in Dublin

THE prospect of a realignment of the Irish punt, despite emphatic rejections of such a measure by the Dublin government, continued to put the currency and Irish government bonds under pressure yesterday as markets grappled with the implications of France's narrow Yes vote.

The punt fell to its floor of *DM2.619 in the European* exchange rate mechanism again yesterday, in thin trading, but heavy dealings were reported in government stock.

The weakness in sterling is the key factor bearing down on the Irish currency. More than 30 per cent of Irish exports go to the UK.

Mr Brendan Lynch, a senior economist at the specialist bonds trading firm Bloxham in Dublin, said: "The market is very bearish. There is a prospect of realignment hanging over the market. Where sterling is going is very important to us."

He said trading in Irish government bonds yesterday was again high. The benchmark nine-year 2001 stock, in which German investors are most active, has seen its yield rise by 0.6 points to 9.57 per cent in the last week, indicating heavy selling pressure. The longer-term stocks, mostly held by Irish institutions, have seen *yields rise by around 0.3 points* in the past week.

"There are similarities between now and 1986, when tremendous weakness of sterling forced a unilateral realignment of the punt within the ERM," Mr Lynch said.

Sterling fell by some 16 per cent against the punt in late 1985 and early 1986, before a devaluation of the punt was forced on the Irish authorities. Sterling has now fallen by almost 12 per cent against the punt since the summer, 8.5 percentage points of that since sterling left the ERM last week.

Mr Alan McCarthy, chief executive of the Irish Trade Board, said: "*It* is clear that the profitability of Irish exporters to Britain will suffer in the short term and there will be increased pressure in the Irish market as British firms become more competitive here."

He said that over the past five years, Irish exports to *Britain, excluding automatic* data processing equipment, had increased by 83 per cent. For indigenous Irish companies the UK market accounts for 45 per cent of their exports, and 30.7 per cent of Irish exports overall.

According to Mr David Croghan, chief economist of the Confederation of Irish Industry (CII): "We would not want to contemplate a realignment. A lot has been done to build up the credibility of the punt over the last five years. We are firmly in favour of remaining with the D-Mark. The Irish economy is now in much better shape than it was in 1986. The government should not give in to the temptation to devalue, which would cause a loss of confidence which we would have to live with for the next decade."

Mr Albert Reynolds, the prime minister, again emphasised yesterday that there would be no devaluation of the *punt and said the turbulence of* recent weeks "demonstrates the need and benefits of a single European central bank and a single European currency... If there is to be a fast-track to monetary union, then we will be in it. The sooner there is a single currency the better."

He conceded at the weekend, however, that should sterling fall by more than 14 per cent against the punt, this would erode all the margin of competitiveness that Ireland had built up against the UK economy over the past five years.

City looks for clues to shape of new economic policy

Peter Marsh on ways in which Treasury strategy may change after Britain's ERM withdrawal

AS expectations in the City about an early cut in interest rates faded slightly yesterday, the focus of attention swung towards the likely building blocks for any new government economic strategy.

With Britain likely to wait some months before looking to rejoin the European exchange rate mechanism, the Treasury will want to pay more attention to the direction of fiscal and monetary policy and the level of the pound in its efforts to influence demand. At the same time it will try to keep a close eye on trends in inflation, possibly with new ways to monitor money supply and asset prices.

The word from the Treasury is that it will be in no hurry to finalise the details. In his address to parliament on Thursday, Mr Norman Lamont, the chancellor, is expected to concentrate on the background to last week's humiliating decision to suspend ERM membership, rather than to come up with any grand designs for future policymaking.

That partly stems from a sense of torpor at the Treasury, which is coming to terms with having lost its main economic rudder in the shape of ERM membership. The department will also want time to assess how the devaluation of sterling may be helping to buoy the economy, even while base rates remain relatively high at 10 per cent. In tune with the lower expectations of a cut in borrowing costs, the FT-SE 100 share index fell back yesterday, after having gained nearly 200 points on Thursday and Friday last week. Last night, the pound closed in London down 7½ pfennigs at DM2.5375, or about 24 pfennigs below its ERM floor of DM2.778.

A rule of thumb among some economists is that a depreciation of 4 per cent in the pound as measured by the Bank of England's trade-weighted sterling index – which tracks the pound against important currencies including the D-Mark and dollar – is equivalent to a cut in interest rates of 1 percentage point.

Applying that rule to what has happened to sterling over the past four months provides the sense of a considerable loosening in economic policy.

Since May 27 – when sterling closed in London at DM2.945, just below its DM2.95 central ERM rate – the pound has declined against the D-Mark by 14 per cent. According to the sterling index, the depreciation has been slightly lower at 10 per cent. If the economists' rule is taken seriously, that is equivalent to more than 2 points off interest rates.

Calculations of this kind may explain why the government appears to be acting cautiously over cutting base rates. However, in spite of the less bullish tone in the City yesterday about immediate cuts in loan costs, many private-sector economists believe base rates will come down to 9 per cent by the start of the Conservative party conference on October 6, with possibly a further cut by the end of the year.

A fall in the exchange rate influences the economy largely by reducing the price of exports and by making imports more expensive. It thus helps exporters, mainly in the manufacturing sector, and also reduces price competition for UK-based companies in the domestic market.

That last factor is important for many smaller manufacturers which earn the lion's share of their profits from UK sales.

With exports and imports of tradable goods each accounting for roughly a fifth of the economy, the short-term effects of a devaluation can be significant. The worry for policymakers, however, is that the benefits may be quickly eaten up through higher import prices pushing up inflation and thus influencing the level of wage costs, cancelling any gains to productivity among manufacturers.

Mr Douglas Godden, economist at the Confederation of British Industry, said: "With unemployment at 2.8m and the labour market extremely weak, there is a good chance that companies may be in a better position than in previous devaluations to resist inflationary pressures feeding into wages."

In the new efforts to manage the economy outside the ERM, fiscal policy will also be more important. According to Mr Michael Saunders, UK economist at the London office of Salomon Brothers, the New York bank, fiscal policy has been considerably loosened in recent years as the government has eased restraints on public spending and has been forced to step up social security spending for jobless people and their families.

According to the latest consensus of City forecasts, general government spending, which accounts for about a quarter of the economy, will increase by 1.6 per cent this year in the context of a contraction in gross domestic product likely to total 0.6 per cent.

In an environment in which demand is likely to be boosted both by the effects of a likely easing in monetary policy and by the large sterling devaluation, Mr Saunders thinks the government will need to tighten its fiscal policy to keep the economy on an even keel and prevent a build-up in inflationary pressures.

"If I were the Treasury I would be trying to cut into the £244.5bn planning total for public spending due in 1993-94," Mr Saunders said. Even with some cuts, Mr Saunders is still pencilling in a public-sector borrowing requirement in 1993-94 running to about £40bn, representing more than 6 per cent of GDP.

With the pound's depreciation having given the economy a considerable boost, the Treasury will be keen to prevent the currency going into a further fall – another reason for caution about cutting interest rates. Many economists feel that the Treasury would ideally like to stabilise the pound at about DM2.60, a level it might make sense to seek as a central rate if sterling rejoins the ERM over the next six months.

Assuming interest rates were to fall by 2 percentage points by the end of the year, sterling could be expected to decline to as low as DM2.40. However, the currency could then find support on expectations about lower German interest rates next year.

As for inflation, that is one area where Mr Lamont can fairly claim some success. In the 12 months to the end of August, the increase in the retail prices index was 3.6 per cent, as opposed to nearly 11 per cent around the end of 1990. However, some economists are worried that, should Mr Lamont let sterling drift too much and switch too quickly to lower interest rates, inflationary forces might once again be a concern.

According to Mr David Smith, UK economist at brokers Williams de Broë, the correct course for Mr Lamont is to treat pleas to cut credit rates with extreme caution and to concentrate on ways to help exporters via a lower exchange rate.

"There is a lot of money sitting in interest-bearing deposits in the consumer sector which, should interest rates come down too quickly, could quickly find its way into the economy and give a big boost to inflation," said Mr Smith. "Mr Lamont has to be extremely careful about the consequences for inflation of whatever he decides on economic strategy."

Major lives to fight another day in Europe

By David Marsh

A BATTERED Mr John Major will live to fight another day – and the rest of Europe is not rushing to write him off. In capitals throughout the European Community, officials and commentators show more sympathy than *Schadenfreude* at Britain's grand economic U-turn.

EC officials in Brussels are emphasising their understanding for the way that Mr Major is caught between domestic realities and the need to show leadership during Britain's presidency of the Community

One acerbic comment, however, came from a European ambassador. Pointing to Britain's stream of requests that the Bundesbank cut lending rates in the interests of the rest of Europe, the ambassador said: "It is ironic that the one country who doesn't want a European central bank is asking the Bundesbank to behave like one."

There has been irritation in Bonn over Britain's attempts to make Germany the scapegoat for its withdrawal from the European exchange rate mechanism. In contrast to the raucous mass-circulation newspaper Bild, which last week called the UK "the great loser of the currency battle", German government officials have been couching their remarks in tones of studied politeness.

German journalists show similar compunction. Mr Josef Joffe, foreign policy commentator of the Süddeutsche Zeitung, the Munich-based daily newspaper, said Mr Major's position had not been devalued. He praised the decision to break the D-Mark link, saying: "Sometimes realism is the better part of valour."

He said that when the EC's 12 heads of government met at their emergency summit next month, Mr Major would "be in good company". He added: "Every single member of the group will be groggy and on the ropes. They all have to think about what to do next. Chancellor [Helmut] Kohl might say that the train to Europe has not stopped – but it has stopped."

Mr Robert Leicht, deputy editor of Die Zeit in Hamburg, said he believed Mr Kohl's relationship with Mr Major would not suffer as a result of the recriminations over sterling. "Kohl was very proud to have better links with Major than with Mrs Thatcher [the former prime minister, now Lady Thatcher]. It will soon return to business as usual," he said. Provided Mr Major could steer his way through the coming Conservative party conference, his position would not be unduly weakened, Mr Leicht suggested.

Instead of suggesting that Germany could take a more independent foreign policy, Mr Leicht said: "Kohl is now much more reliant on a good relationship with Major over foreign policy. The whole process of German unification is dependent on foreign acceptance. We cannot go it alone."

Mr Günther Nonnenmacher, foreign commentator of the Frankfurter Allgemeine Zeitung, pointed yesterday to growing opposition to Mr Major from parliamentary supporters of Lady Thatcher. But he also warned that Germany itself could suffer from a continuation of the currency turbulence that sank the pound.

French commentators, uneasily aware that the franc might be the next to experience the tender attention of currency speculators, are also in no mood to sling arrows. Politicians and the press, absorbed by the referendum, have paid so little attention to the UK's ERM withdrawal that they are now rather surprised at the domestic impact.

"We are rather astonished to see so many British commentators virtually writing off Mr Major politically," said a French foreign ministry official said yesterday. He added: "Surely French approval of Maastricht will now give the markets a chance to calm, and Mr Major a breathing space."

Additional reporting by David Buchan in Paris and Andrew Hill in Brussels.

Ashley Ashwood

London International Financial Futures and Options Exchange traders deal in D-Mark interest rate futures yesterday, the first day of trading after the French referendum

Uncertain future for pay bargaining

By David Goodhart, Labour Editor

ANNUAL PAY increases over the last 18 months have halved – from about 9 per cent to just over 4 per cent – and unit labour cost increases in manufacturing industry have fallen to 2 per cent.

Most analysts attribute that primarily to falling inflation and recession but some, including many union officials, argue that the speed of the fall would not have been attainable without British membership of the exchange rate mechanism.

With no prospect of employers being bailed out by devaluation, and with low inflation locked in, pay bargainers were beginning to shake off an "inflation-plus" mentality and were even comparing pay rises more directly with similar groups in other ERM member countries.

Will Britain's withdrawal from the ERM undermine the discipline of the last two years? The short answer is that nobody knows, but as withdrawal is almost certain to lead to higher inflation and greater uncertainty, union bargainers will be pushing harder to compensate their members.

In the short term they will not necessarily succeed. Britain has withdrawn from the ERM at the end of a wage round in which large groups of workers – such as the 900,000 local government manual workers – have settled for a rise of about 4 per cent on the understanding that inflation was heading down, not up.

If inflation does now rise, those workers will suffer a cut in real pay. With unemployment set to rise for another two years at least, they may not be in a strong position to claw that back next year.

Indeed, an analysis of the relationship between wages and prices over the past 10 years by Mr Chris Trinder, of the Public Finance Foundation, found that the lowest growth in real wages came in 1989 and 1990 when inflation took off, briefly, catching many bargainers by surprise. Conversely, the strongest real earnings growth came in the mid 1980s, when inflation was relatively low.

Seeking lessons from previous devaluations – such as 1967 or 1976 – is difficult. On both these occasions incomes policies, at least temporarily, prevented a wages catch-up.

Also, as the Confederation of British Industry points out, the bargaining system is now far more flexible. For example about 20 national pay agreements, which usually provided an inflation-covering floor for plant bargainers, have been phased out since the 1970s, and pay in the current recession has been far more sensitive to the performance of different sectors than in previous years.

It is not necessary to agree with the CBI that the link with the retail prices index has been broken to accept that wage rises in the private sector are now more closely linked to company performance.

That means that pay trends are likely to follow the pattern of corporate winners and losers from the present devaluation – with employees in exporting companies benefiting most.

The story may be different in the public sector. Although the Civil Service unions have just settled for modest rises, the pay review bodies – which cover nearly a third of public-sector workers – are just starting to hear evidence.

The government's case for a low rise in its submission to the pay review body for teachers is based on the argument that inflation is defeated because "within the discipline of the ERM there is no prospect of employers being bailed out by a lower exchange rate".

That argument has now been overtaken by events, and without another one to put in its place the government might well have to reject the findings of some of the pay review bodies if it intends to hold down public-sector pay.

In the longer run, leaving the ERM will probably mean losing some of the benefits to rational bargaining of permanently low inflation and international comparisons with related groups in Europe. The extent of the loss depends on how much progress had already been made in absorbing ERM disciplines, and that would not have become clear until the new attitudes had been tested in an upturn.

Tebbit renews call for referendum

LORD TEBBIT, former Conservative party chairman, yesterday renewed his call for a referendum on the Maastricht treaty, saying the result of the French vote had knocked progress to monetary union "completely off the rails".

He added: "Perhaps it is time for the people of Britain to have a say. A referendum on the issue would clear the air. and make it much easier for John Major to speak for the country in the certainty that he was speaking for all the people."

Later, speaking on BBC television's Panorama programme, Lord Tebbit described the Maastricht Treaty as a dead parrot.

"In short, right now it seems to me that Maastricht is like that famous dead parrot," he said. "They may try to nail it on to the perch again, but nobody will believe that it is still alive."

● The Scottish National party yesterday stepped up demands for a referendum on Europe – to include a question for Scottish voters on home rule.

Mr Alex Salmond, SNP leader, said the narrowness of the French vote made Mr John Major's position in refusing to hold a referendum untenable – and it was equally untenable for him to deny the Scots a ballot on their country's future.

"Why should the Scots be denied a vote on Europe's future and Scotland's place in Europe when the Danes, the Irish and the French have all had their say?" said Mr Salmond.

"Scotland needs a vote on Europe and a voice in Europe. If closer co-operation is to proceed – and the SNP, despite Maastricht's flaws, hopes that it will – Europe must be brought closer to the people."

The SNP annual conference opens tomorrow in Perth and on Saturday will debate the Maastricht agreement.

Lib Dems warn on uncertainty

MR ALAN BEITH, Liberal Democrat treasury spokesman, called yesterday for a clear statement of the government's economic policy, warning that uncertainty would further undermine the pound.

Mr Beith, speaking in his Berwick-upon-Tweed constituency, said: "The cabinet is split over whether Britain should join the ERM and so have delayed the decision but haven't said what their policy is in the meantime.

"This uncertainty will further undermine the pound, and the chancellor is in great danger of allowing the pound to slip so far that interest rate cuts have to be ruled out or reversed because of the inflationary dangers."

Summit with employers urged

THE executive of the TGWU general union, Britain's largest union, called for an emergency summit involving employers, government and unions in the wake of the sterling crisis.

The union said the summit agenda should include an immediate cut in interest rates; investment in transport and other infrastructure projects; an increase in public-sector housebuilding and a substantial training programme, with provision for those in work as well as the unemployed.

Tory middle ground applauds slowdown

Ivo Dawnay and **Alison Smith** gauge backbench feelings on new view of Maastricht

IT TOOK that always rare creature, a fully paid-up Tory intellectual, to make the simple but perhaps most revealing observation.

After the French Yes vote, MP Mr David Willetts, one-time director of the Centre for Policy Studies, remarked that the prime minister was now sounding a great deal less gung-ho on Europe than he had done after the Danish No vote in June.

Much the same could be said for the vast bulk of Conservative MPs who regard themselves as neither Euro-sceptic nor Euro-enthusiast.

Plucky little Denmark can bleat as much as it likes. But when the pound has been sandbagged by the D-Mark and the French – quintessential apologists for the European Community – express doubts, then the ramifications are profound.

Talking to a selection of backbench MPs not clearly identified with either camp in the great Maastricht debate demonstrated yesterday that Mr John Major was wise in his decision to put on the brakes.

Initial inquiries showed a surprising consistency in opinions on the central consequences of the past week. First, not one of the five MPs contacted had dissented from the economic and European policies peddled by the government up to just a week ago.

None, also, would level criticism either at the prime minister or the chancellor for the conduct of those policies or the attempt to see them through, in spite of Black Wednesday.

All also endorsed Mr Major's call for a summit and his warnings that the UK could not go back into the European exchange rate mechanism until it was reformed.

Acknowledging that the events had proved a watershed, three of the five agreed that if the consequences mean Britain must now accept life in the slow lane of a two-speed Europe, then so be it. Caution was the watchword.

Mr Willetts, MP for Havant, argued that party feeling was "not a mood to rush into a ringing endorsement" of Maastricht. He thought the domestic circumstances of Germany and France made the prospect of a two-tier Europe less likely than it had seemed in the past.

Another member of the new intake, Mr Edward Garnier, MP for Harborough, took a similar view, claiming that the ambivalence of the French referendum result had "altered the scenery". He added: "There is scepticism in France and concern in Germany about the D-Mark. The road towards union has steepened and hairpin bends have been put in the track." Everything would now slow down.

Only one of the MPs interviewed admitted to having made a 180-degree turn into outright opposition to the Maastricht blueprint. Mr Gary Streeter, MP for Plymouth Sutton, confessed to having shifted "dramatically" over three months into the No camp.

"A close federation will end in tears," he said. "There is no heart in this country for political and economic union."

If Britain were to return to the ERM it could only be on the basis of an entirely reformed system where flexibility was emphasised. Even that Mr Streeter regarded as unlikely, urging that the government instead seize the opportunity to lower interest rates and stimulate industry with tax incentives.

While accepting the inevitability of Britain's ERM withdrawal, Mr Peter Atkinson, MP for Hexham, confessed that the UK would now have a more volatile and less stable economy.

He added: "If Britain's European partners are not prepared to alter the system, we cannot go back to it."

In the present circumstances, Mr Willetts said he believed that the priority must be to establish a credible financial framework that can deliver low inflation. His own preference would be for a return to monetary targets.

Unlike those of his colleagues who are panting for dramatic cuts in interest rates, Mr Willetts is expecting the government to strike a "sober" note on future reductions, in Thursday's emergency Commons debate on the economy. "Having been on a starvation diet, we can't go on a binge," he said.

Such a pragmatic approach among the new intake of MPs appears to endorse the prime minister's approach in the wake of the currency turmoil and the French plebiscite.

It also gells with the views of a veteran observer of the international scene, Mr David Howell, Tory chairman of the cross-party foreign affairs committee.

He interprets events as pointing towards "if not an actual precise renegotiation of the Maastricht treaty, then a whole range of modifications to it – add-ons and codicils – to bring it into the sort of shape needed to address the situation that has now emerged".

The Tory party, he said, wanted a positive path out of the difficulties. "If the new policy of rethinking Maastricht is now developed with vigour, I think the party will follow that."

Labour turns up heat on ministers

By Alison Smith

SENIOR Labour frontbenchers sought yesterday to go on the offensive over Europe by accusing the government of a return to Thatcherism that would be disastrous both politically and economically.

Their efforts were undermined, however, by renewed evidence of dissent within the shadow cabinet.

Mr Tony Blair, shadow home secretary, called on Mr John Major to make clear either that he still believed that Britain's place was at the heart of Europe, or that his words then had been merely a statement of expediency whose time had passed.

Mr Gordon Brown, shadow chancellor, joined those warning of the dangers of a return to monetarism and isolationism by challenging the government to explain its policy on inflation now that sterling had been suspended from the European exchange rate mechanism.

Labour's frontbench Euro-sceptics, however, continued to speak out on Europe yesterday in what may be their last opportunity to do so. Tomorrow Mr John Smith, party leader, is set to secure collective agreement to a clear policy on Europe at meetings of the national executive committee, Labour's ruling body, and the shadow cabinet. Party chiefs have made clear that shadow cabinet members will have to abide by an agreed policy.

Yesterday, however, Mr Bryan Gould, shadow national heritage secretary, renewed his call for a referendum in Britain. "If we were to face the prospect of having to endorse the treaty, I would certainly take the view that it should not be done without consulting the British people," he said.

He described the treaty as fatally wounded by the closeness of the French referendum result. "The trouble is that it won't lie down and die," he said. "What it needs is for our political leaders to have the courage to give it a decent burial."

Gaidar gives monetary policy pledge

By John Lloyd and Dmitri Volkov in Moscow

RUSSIA'S acting prime minister, Mr Yegor Gaidar, yesterday promised that the government would tighten monetary policy over the next six months.

Speaking to a group of pro-reform deputies, Mr Gaidar admitted the budget deficit was now "very bad" after a sharp drop in revenues and a rise in payments during the summer.

The deficit is estimated to be running at around 17 per cent of GDP for the first six months, with inflation at about 25 per cent a month and production falling sharply.

Mr Gaidar will have to defend this record, and call for renewed monetary discipline to a sceptical parliament which opens today.

He seems certain to face calls for his resignation from hard line deputies. Both Mr Ivan Rybkin, co-ordinator of the Communists of Russia faction and Mr Vladimir Isakov, head of Russian Unity, were quoted yesterday by Interfax as calling for his dismissal.

The prime minister echoed some government colleagues in blaming Mr Victor Gerashchenko, acting head of the Russian Central Bank, for loosening the flood gates of credit.

Mr Gaidar said: "He is responsible for the stability of the financial system."

● Elections of a new parliament and president in Estonia have produced a parliament with a right-nationalist party as biggest group and an inconclusive result on the president.

The Fatherland Alliance won just over 20 per cent of the vote, making it the largest party with 28 seats. However, Mr Lennart Meri, leader of the party, came second to Mr Arnold Ruutel, the present parliamentary chairman, in the presidential vote - with 28.8 per cent to 42.7 per cent. Parliament must now choose between them.

Panic pleads his case at UN

By Frances Williams in Geneva and Michael Littlejohns at the UN

MR Milan Panic, prime minister of rump Yugoslavia, flew to New York yesterday to plead his country's case at the United Nations. A meeting of the General Assembly was scheduled today to consider ousting the delegation of Serbia and Montenegro, whose claim to succeed to the Yugoslav seat has been rejected by the Security Council.

Diplomats said last night they had little doubt that the 179-nation body would endorse the decision, making it necessary for Belgrade to apply for membership if it wished to re-enter the UN.

Arguing his case, the prime minister, said: "Yugoslavia's expulsion is wholly unprecedented. Countries at war like Iraq and Iran were never expelled even though they committed atrocities."

Bosnian foreign minister, Mr Haris Siladjdzic, and Mr Alija Izetbegovich, the Bosnian president, also left for New York after attending UN-European Community sponsored peace talks in Geneva.

The Geneva negotiations will continue between lower-ranking delegations and Mr Martti Ahtisaari, the Finnish mediator.

Mr Cyrus Vance, co-chairman of the Geneva conference, met Mr Radovan Karadzic, the Bosnian Serb leader, on Sunday to convey disquiet over the continued heavy fighting in Sarejevo and elsewhere in Bosnia. "Unless restraint is exercised by all sides, we are not going to have the climate we need to make progress on a constitutional settlement," Mr Fred Eckhard, spokesman for the Geneva conference, said.

Mr Vance, for the UN, and Lord Owen, representing the EC, fly to Athens today to discuss the situation in Macedonia with Mr Konstantinos Mitsotakis, the Greek prime minister.

Mr James Grant, executive director of the United Nations Children's Fund (Unicef), said yesterday that all parties to the conflict had agreed special measures to protect children from violence.

This would culminate in a "children's week" in the first week of November, by which time Unicef hoped to have distributed clothing, restarted the immunisation programme and got children back to school. However, he admitted that he had nothing in writing.

More than 1,000 children have died, and 30,000 have been wounded, in the Bosnian conflict.

Serb refugee children wait in line for lunch in a northern Bosnian village surrounded by Moslem and Croat forces

Sweden tries to calm markets

By Robert Taylor in Stockholm

SWEDEN'S Central Bank yesterday cut its overnight lending rate to the banks to 50 per cent from 500 per cent before trading started, in an attempt to calm the markets.

But doubts and confusion emerged over the exact details of the all-party budget cuts package announced in outline on Sunday evening by Sweden's prime minister Mr Carl Bildt, his coalition party colleagues and the Social Democratic opposition.

After considerable fluctuations the Stockholm bourse closed down 1.5 per cent with a SKr380m (£36.9m) turnover. The fall was particularly pronounced in the finance sector with a drop of 4 per cent.

Serious differences of opinion have emerged over what had been agreed between the government and the Social Democratic opposition over their joint economic strategy announced on Sunday evening. Crisis talks resumed yesterday and were still going on early last night.

Poland's hero strikers fall from grace

Christopher Bobinski and Anthony Robinson report on a sea-change in the country's labour relations

POLAND'S reputation for powerful, strike-prone trade unions is due for revision after the collapse of a seven-week strike at the FSM-Fiat car plant in southern Poland.

The strike began as one of a clutch of labour stoppages in coal and copper mines and at the Mielec aircraft factory which greeted the new coalition government headed by Ms Hanna Suchocka in mid-July.

All have now ended without direct government intervention, sending a clear signal to workers and foreign investors of the new government's intention to change the basic rules of labour relations.

The outlines of the policy were revealed earlier this month when Ms Suchocka unveiled an "enterprise pact" calling on the unions and workers to draw up privatisation plans for their enterprises and involve themselves in collective wage bargaining with management.

The government's refusal to get drawn into the summer strikes, even that at FSM which threatened to derail Fiat's planned $2bn (£1.1bn) takeover of the company, was the first sign of its determination to change the political and emotional climate surrounding labour issues.

Mr Henryk Goryszewski, the deputy prime minister with overall responsibility for economic matters, said: "We have to do away with the old idea that strikers are national heroes, fighting for a free Poland against communism. Poland is now a normal country. Strikers' rights to wave the national flag really ended with the first free elections."

Such forthright views represent a sea-change in a country headed by Mr Lech Walesa, probably the most famous strike leader in history, where strikes were the main weapon against the regime for decades.

The groundwork for the new policy was laid by former Solidarity activists like Mr Jacek Kuron, now the labour minister. He not only has to wean the unions away from strike action but also persuade pensioners that their payments must be cut to avoid an inflationary budget deficit.

All these unexpected new developments were only dimly perceived by strikers at FSM demanding wage increases which, if granted, would have driven a coach and horses through the government's economic strategy.

A deal which the strikers could have claimed as a victory would have fuelled inflation and discouraged potential foreign investors already put off by a year of political uncertainty.

For the strikers, however, it was difficult to understand how achieving a "decent living wage" could have had such catastrophic consequences for the Polish economy. "We are producing cars of a European quality on the latest machinery. So why can't we be paid more like our counterparts in Italy?" one of the workers asked.

But the demand for wages equivalent to 10 per cent of the retail value of Fiat's new Cinquencente model lost them support from unions representing workers in other state enterprises who have seen their real wages fall by more than 15 per cent over the last year. Having already been promised a 30 per cent increase by Fiat, the FSM strikers demand for more was perceived as both unrealistic and excessive by other unions.

> 'We are producing cars of a European quality on the latest machinery. So why can't we be paid more like our counterparts in Italy?'

The still-Polish management, backed by Fiat, agreed during talks in July to raise pay 30 per cent above the current average gross wage of around 3m zlotys (£113) per month.

Fiat agreed to pay the rises only when it took over its 90 per cent ownership of the plant. This it refused to do while the strike continued, leaving the financial costs to be borne by the Polish government. But the strike lost Fiat the production of more than 15,000 of its newest and most popular models and ruined an expensive advertising campaign.

To its chagrin, Fiat saw Subaru of Japan grab a toehold in a key sector of the Italian market by selling 6,000 of its own small cars in a market deprived of the Polish-made Cinquencento.

The strike also stopped recruitment of an additional 2,000 Polish workers needed to man a third shift designed to raise output from 160,000 to 240,000 cars a year.

Faced with government refusal to intervene, lack of support from the Catholic church and growing pressure from the 18,000 non-striking workers at FSM and the older plant at nearby Bialsko Biala, the isolated strikers finally accepted defeat.

But the actors in the drama have paid a high price for the resolution of a conflict.

Polish labour relations will never be quite the same again, but it will take all Fiat's management skills to erase the legacy of bitterness.

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US gives pledge to emphasise peace role

By Robert Mauthner and Michael Littlejohns at the UN in New York

PRESIDENT George Bush yesterday promised that the US would place greater emphasis on international peace-keeping and proposed a special summit of the United Nations Security Council to discuss proposals in this field.

Mr Bush's speech on the opening day of the UN General Assembly's annual general debate identified the need for enhanced international peace-keeping capabilities, the prevention of proliferation of weapons of mass destruction, and promotion of economic prosperity as the three greatest challenges facing the international community.

"Meeting these challenges will require us to strengthen our collective engagement to transform our collective institutions and will require each of us to look seriously at our own governments and how we conduct our international affairs," he said.

His speech, which rejected isolationism and stressed the need for nations to adopt outward-looking policies, was seen as a powerful endorsement of the "Agenda for Peace" published earlier this year by Mr Boutros Boutros Ghali, UN secretary-general, at the request of the Security Council summit in January this year.

Specifically, Mr Bush endorsed the proposal for standby military forces to be made available by member countries at short notice to the UN secretary-general for peace-keeping and humanitarian relief operations, subject to the approval of governments providing these forces.

The president underlined the need for these forces to be able to train together and for joint planning, crisis management and intelligence capabilities.

The US was prepared to make available its bases and other military facilities for training and field exercises and he had instructed Mr Dick Cheney, defence secretary, to work closely with the UN to see how US air transport, logistics and intelligence capabilities could best be employed to support peace-keeping roles.

Mr Bush also promised that the US, which owes a total of $733m (£414.1m) in regular and peace-keeping contributions to the UN and is the world organisation's biggest debtor, would in future ensure that adequate US financial support would be provided for UN peacekeeping and humanitarian activities.

Mr Boutros Ghali has proposed that funding should be provided from member states' defence budgets in order to prevent delays in transfers of financial contributions.

Emphasising that 20 countries were currently developing nuclear, chemical and biological weapons and ways to deliver them, Mr Bush proposed that the Security Council give assurances to non-nuclear weapon states that its members would help any such state party to the nuclear non-proliferation treaty which was a victim of aggression or the threat of aggression involving nuclear weapons.

In the economic field, the president urged a strengthening of the Group of Seven industrialised states' co-ordination process, although he gave no details.

In a clear reference to France's endorsement of the Maastricht treaty, Mr Bush said the exact form of European economic integration was for the Europeans to decide. But he pledged the US would stand by the Europeans.

He also promised a reform of US aid policy, moving to a more effective form of economic partnership. He proposed setting up a $1bn economic growth fund which would provide grants and credits to support businesses in need in countries which had undertaken to restructure their economies.

TV debate perils for both Bush and Clinton

By Jurek Martin in Washington

MR BILL CLINTON will appear on a platform in East Lansing, Michigan, tonight but President George Bush will not be alongside him. Indeed the question of when and where the two US presidential candidates will confront each other in debate has become one of the most intriguing tactical issues of the campaign.

According to the schedule proposed by a bipartisan commission of five prominent Republicans and five Democrats, Mr Clinton and Mr Bush were to start a three-match series tonight in East Lansing, followed by a second in San Diego, California, on October 4 and a final in Richmond, Virginia, on October 15. Senator Al Gore and Mr Dan Quayle, the vice-presidential candidates, were to square off on September 29 in Louisville, Kentucky.

The commission recommended that the format of previous debates be changed, with a single moderator, rather than a panel of three or four journalists, serving as the buffer between the two candidates. The Clinton side accepted the proposal, but the Bush team, under Mr James Baker, campaign supremo, said no.

Mr Baker, whose hand is omnipresent but largely invisible, has not gone public with his reasons for backing out of the first confrontation. Mr Robert Zoellick, his right hand man, merely said in a weekend television interview that he could not see why a tried and trusted format needed to be changed.

Speculation centres on three main reasons for the reluctance of the Bush camp to participate. The first is the fear that Mr Clinton, adept with words, might show to advantage against Mr Bush, who is often not. Giving the challenger an equal platform with the incumbent only enhances his stature.

The second argument is that a single self-effacing moderator is less likely to ask the outlandish "character" question most likely to embarrass Mr Clinton than a journalist on the panel, the selection of which can be influenced by both campaigns. In 1988, Mr Bernie Shaw, of CNN, asked Democratic runner Mr Michael Dukakis a question concerning the hypothetical rape of a member of his family that put the candidate hopelessly on the defensive.

Finally, if the 1988 experience is anything to go by, Mr Baker is known to believe that the mere announcement of a debate at a definite future date freezes public opinion for several critical days. Well behind in the polls, Mr Bush can hardly afford that.

The latest evidence of this deficit was furnished yesterday by six state polls. The two candidates were dead even in Mr Quayle's home state of Indiana, which the Democrats have not carried since 1964, and in Florida, a Republican stronghold. But Mr Clinton was leading by 21 points in Missouri, 19 in Illinois, 14 in Delaware, and eight in Ohio.

This also suggests that Mr Clinton has something to lose by debating Mr Bush and doing badly, which is why his campaign prefers the single moderator approach. The probable reality is that he will debate with the president in any event, for the obvious reason that whoever ducks out becomes an easy target.

The general expectation is that the two will debate, either once or twice, in October, as will Senator Gore and Vice-President Quayle. Much may hang on it. At least three recent elections – 1960, 1976 and 1980 – may be said to have been decisively swayed by the debates and it is certainly true that four years ago Mr Dukakis lost an opportunity to restore fading fortunes.

Israeli settlers demonstrate outside the Knesset yesterday urging Prime Minister Yitzhak Rabin not to negotiate a land-for-peace deal for the Golan Heights

Roh ends MP boycott with fair vote pledge

By John Burton in Seoul

SOUTH KOREA'S National Assembly may resume normal operations this week following President Roh Tae Woo's promise that December's presidential election will be conducted fairly under a neutral caretaker government.

The two main opposition parties have been boycotting the assembly since the spring in protest at the government's decision to postpone the election of local officials until 1995.

The opposition charges that senior local officials, who are at present appointed by the government, would use their influence to support the ruling Democratic Liberal Party (DLP) candidate, Mr Kim Young Sam, in the presidential election.

Opposition fears were given credence when it was disclosed that local officials in one county bribed voters to support an unsuccessful DLP candidate in last March's parliamentary election. This followed other allegations that intelligence agency and military officials engaged in illegal practices to support DLP candidates during that election.

The growing election scandal forced Mr Roh on Friday to announce that a neutral caretaker cabinet would be formed early next month to ensure a fair presidential election, while he would quit the DLP.

The appointment of independent ministers to head the Home Affairs Ministry, which is in charge of local government, and National Security Planning, the intelligence agency, would theoretically guarantee that the government would not use these key agencies to influence the election in favour of the DLP.

Mr Kim Dae Jung, the presidential candidate of the main opposition Democratic Party, yesterday welcomed Mr Roh's decision and promised to end the boycott of the assembly.

The National Assembly must consider several important economic measures, including the 1993 budget, before its current session ends in December.

Mr Roh made his decision under pressure from Mr Kim Young Sam, a former opposition leader who merged his party into the DLP in 1990. Mr Kim has been concerned that the election scandal would harm his popularity among voters and reduce his lead over Mr Kim Dae Jung.

Mr Kim has also been concerned that allegations of political favouritism regarding the award of government contracts this year could hurt his election chances.

He recently insisted on the cancellation of a lucrative mobile telephone licence to Sunkyong after the opposition charged that the contract was awarded to the Korean conglomerate because its chairman is an in-law of Mr Roh.

Some officials in Mr Roh's majority faction of the party are expressing worries about the growing influence of Mr Kim and the possibility that many influential bureaucratic positions may be filled by Mr Kim's supporters if he wins the presidential election.

One new threat to Mr Kim emerged yesterday with the announcement that Mr Lee Jong Chan, who stood against Mr Kim for the DLP presidential nomination, will form a new political party and possibly field a presidential candidate. Mr Lee's party could attract dissatisfied elements within the DLP.

Diplomatic link ends Mexican rift with Vatican

By Damian Fraser in Mexico City

MEXICO and the Vatican have established full diplomatic relations, putting an official end to more than 130 years of church-state hostility.

Mexico's Foreign Ministry said in a tersely worded communiqué that the decision was based on constitutional reforms last year that gave legal recognition to religious institutions for the first time in more than 70 years.

The reforms overturned Mexico's anti-clerical 1917 constitution and allowed churches to own property and run schools. They also gave priests the right to vote and wear clerical attire in public.

While nearly 90 per cent of Mexicans are Catholic, the church and state have been in conflict since 1861, when President Benito Juarez expelled the Papal Nuncio. In the last century the Catholic church owned half Mexico's land and opposed independence from Spain, making it the favourite target of reformers such as President Juarez.

The church also opposed Mexico's 1910 revolution, from which sprang the political party that, under a different name, still runs Mexico. The church-state conflict led to open warfare in the late 1920s as conservative peasants, known as Cristeros, took up arms against the government.

President Carlos Salinas, however, has been determined to leave behind the old, anti-clerical and nationalist Mexico and has sought reconciliation with the church.

His legal changes in part clarify what was already common practice in Mexico with laws, such as those against private religious education, ignored.

The rapprochement with the church has also strengthened support for President Salinas and the ruling PRI party among millions of conservative Catholics. This is at a time when the party's more traditional constituencies, such as the unions, are suffering as a result of the government's political and economic reforms.

Police fire on Columbus rally

POLICE in the Dominican Republic opened fire on a rally to protest at government plans to mark the arrival of Christopher Columbus in the country 500 years ago, writes Canute James in Kingston. One person was killed and several injured in the incident on Sunday.

Demonstrators oppose the amount of money the government is spending on the event.

The violence and plans for further protest will raise doubts about the Pope's visit to the republic next month. He had been invited to mark the anniversary.

Besides the cost, there is growing opinion in the country that planned events do not attempt to portray the social and economic consequences of Columbus's arrival.

President must present his defence today

Pressure grows on Collor

By Christina Lamb in Rio de Janeiro

THE impeachment process against Brazil's President Fernando Collor reaches a critical phase today – the deadline for Mr Collor to present to Congress his defence against sweeping corruption charges.

Over the past week, pressure has been mounting on Mr Collor, with daily pro-impeachment demonstrations throughout Brazil, and the return from Miami of his younger brother Pedro, whose accusations in May prompted the congressional inquiry now threatening to bring down the president.

Mr Collor's mother, Doña Leda, suffered three heart attacks last week after Pedro renewed his charges against his older brother, and is on a life-support machine in a Rio hospital. Police have closed surrounding roads to disperse protesters.

A congressional commission must present its recommendation on impeachment tomorrow. The final vote is expected next week, when a two-thirds majority is needed to unseat the president. The Supreme Court will rule tomorrow on whether this vote is to be open or secret. A secret vote would increase Mr Collor's chances by reducing public pressure on Congressmen.

Mr Collor's strategy is to try to delay the process through legal challenges while trying to win support in congress by releasing funds for assorted projects.

With the impeachment clock ticking against him, Mr Collor is starting to show signs of losing control. At a dinner for congressmen last week, he shocked guests with an outburst of coarse language against leading political figures, including Mr Ulysses Guimaraes, Brazil's most respected Congressman. Mr Collor's spokesman explained: "It was letting off steam by a man who has been suffering a process of lynching, injustice and slander for over 100 days."

The congressional vote is not Mr Collor's only pre-occupation, with strong indications the Attorney-General will start criminal proceedings against him. Police are investigating alleged use of insider information for commodity trading, manipulation of state pension funds, and drug trafficking links.

Saigon shipyard venture agreed

By Kieran Cooke in Kuala Lumpur

SINGAPORE AND Vietnam have teamed up to develop a ship-building and repair yard on the Saigon River in Ho Chi Minh City.

Keppel Shipyard, a division of the partly Singapore-government-owned Keppel conglomerate, and BaSon Shipyard, a repair yard in Vietnam, are to form Keppel BaSon Shipyard & Engineering to provide ship-building, repair and engineering facilities for the region.

Start-up capital will be $3.5m (£1.9m), with Keppel holding 60 per cent equity, the Vietnamese company the rest.

Vietnam's ship-building sector needs considerable foreign capital and expertise.

Bankers hold emergency talks on Argentine debt

By Robert Peston in Washington

ARGENTINA'S leading creditor banks are holding emergency meetings in an attempt to complete restructuring of the country's $23bn (£12.9bn) commercial bank debt.

Senior bank executives are in Washington for the annual meeting of the International Monetary Fund. Citibank, which chairs the advisory committee of Argentina's banks, has called many of them together in midnight meetings at its Washington office in the hope of ending the impasse which has prevented completion of the debt restructuring.

However, a banker present at the first meeting, which finished at 2am yesterday, said progress was "painfully slow".

In spring the banks had agreed that Argentina's debt would be converted into two types of bond – discount and par bonds. The deal could not be completed as the banks wanted to convert too much of their debt – 80 per cent of it – into the par bonds.

Mr Domingo Cavallo, Argentine economy minister, is making it clear to banks this week that they must take more of the discount bonds as the restructuring would otherwise be too expensive for the government.

The government has to provide more collateral – to guarantee that capital and interest will be paid – for the par bonds than for the discount bonds. Providing this collateral is costly.

NEWS IN BRIEF

Zimbabwe orders electricity cuts

Zimbabwe ordered nationwide cuts in electricity use yesterday because of southern Africa's withering drought, Reuter reports from Harare. The state-run Zimbabwe Electricity Supply Authority (ZESA), told all companies to reduce power consumption by up to 30 per cent and severely curtailed household electricity use. ZESA said companies and families exceeding their rations could face stiff fines and disconnection.

But the Confederation of Zimbabwe Industries branded ZESA's unprecedented measures as too little, too late in a country which gets its electricity mainly from hydro-electric plants on rivers shrunken by the worst drought this century.

Germans sentenced for Iraq deal

Three German steel executives were yesterday given suspended sentences for illegally exporting rocket engine parts to Iraq before the 1991 Gulf War, Reuter reports from Bochum.

The three, from subsidiaries of German steel and engineering giant Thyssen, were convicted of knowingly selling Iraq turbo-charged pumps declared as oil and water drilling equipment but intended for military purposes.

Prosecutors said the Thyssen pumps were used to upgrade Soviet-built Scud-B rockets that Iraq fired against Israel and Arab Gulf states during the conflict.

Macao voters back pro-China line

Candidates supporting China easily swept to victory in an election to retain control of the Legislative Assembly in the Portuguese enclave of Macao, which returns to Chinese rule in 1999, according to final results yesterday, AP reports from Macao. The elections, held on Sunday, were for 16 of the assembly's 23 seats. The remaining seven will be filled by Macao's governor.

Four candidates from two pro-China parties – the Traditionalist Development Union and the Traditionalist Union for the Promotion of Progress – received about 50 per cent of 27,812 votes cast in a direct election. Eight other seats, decided in an indirect election, were won by business interest organisations that normally support China.

China to sell uranium to Japan

Tokyo Electric Power, the Japanese power company, yesterday announced an agreement to import 250 short tons of uranium concentrate from China, the first agreement of its kind involving the Chinese product, Robert Thomson reports from Tokyo. The agreement, which calls for delivery over five years, starting next year, is part of the Japanese power industry's strategy of diversifying its sources of uranium.

Koreans to build ethylene plant

Samsung Engineering said yesterday that it had won a bid to build a $200m ethylene plant in Jilan City, China, in the first important Chinese contract to be awarded to a South Korean company since diplomatic relations were established last month, John Burton writes from Seoul.

Turkey to buy army helicopters in $855m US deal

By John Murray Brown in Ankara

UNITED TECHNOLOGIES of the US has won a long-running battle to supply helicopters to the Turkish armed forces, with the issue of a letter of intent yesterday for co-production of its Sikorsky Black Hawk, a deal worth $855m (£483m).

More than two years after the initial tender, Turkey's Defence Industry Executive Committee, headed by Mr Suleyman Demirel, the prime minister, announced Sikorsky had been selected to negotiate terms for the joint manufacture of 50 S-70 A multi-purpose Black Hawks, with a further 25 sold for immediate delivery.

Agusta of Italy and a French-German consortium of Aerospatiale and Messerschmitt-Bölkow Blohm were also in competition. However Sikorsky won vital support from the US Export Import Bank which is to provide export credit guarantees for 80 per cent of the contract. US officials say Eximbank has offered $1.3bn in support of the Sikorsky bid, its largest ever credit, and the first backing of a commercial military sale by the US export agency.

US officials say the long-term nature of the co-production deal paves the way for an additional supply of 75 helicopters.

The Sikorsky contract, originally for 200 helicopters, was tendered six times, before being scaled back because of budgetary considerations.

In January Mr Demirel called on contractors to resubmit bids to include the cost of immediate purchase of up to 50 helicopters in the wake of the escalation of fighting in the Kurdish region.

The deal is one of several contracts under consideration as Turkey enhances its rapid reaction capability in its eight-year struggle with Kurdish separatists along its borders with Iran and Iraq.

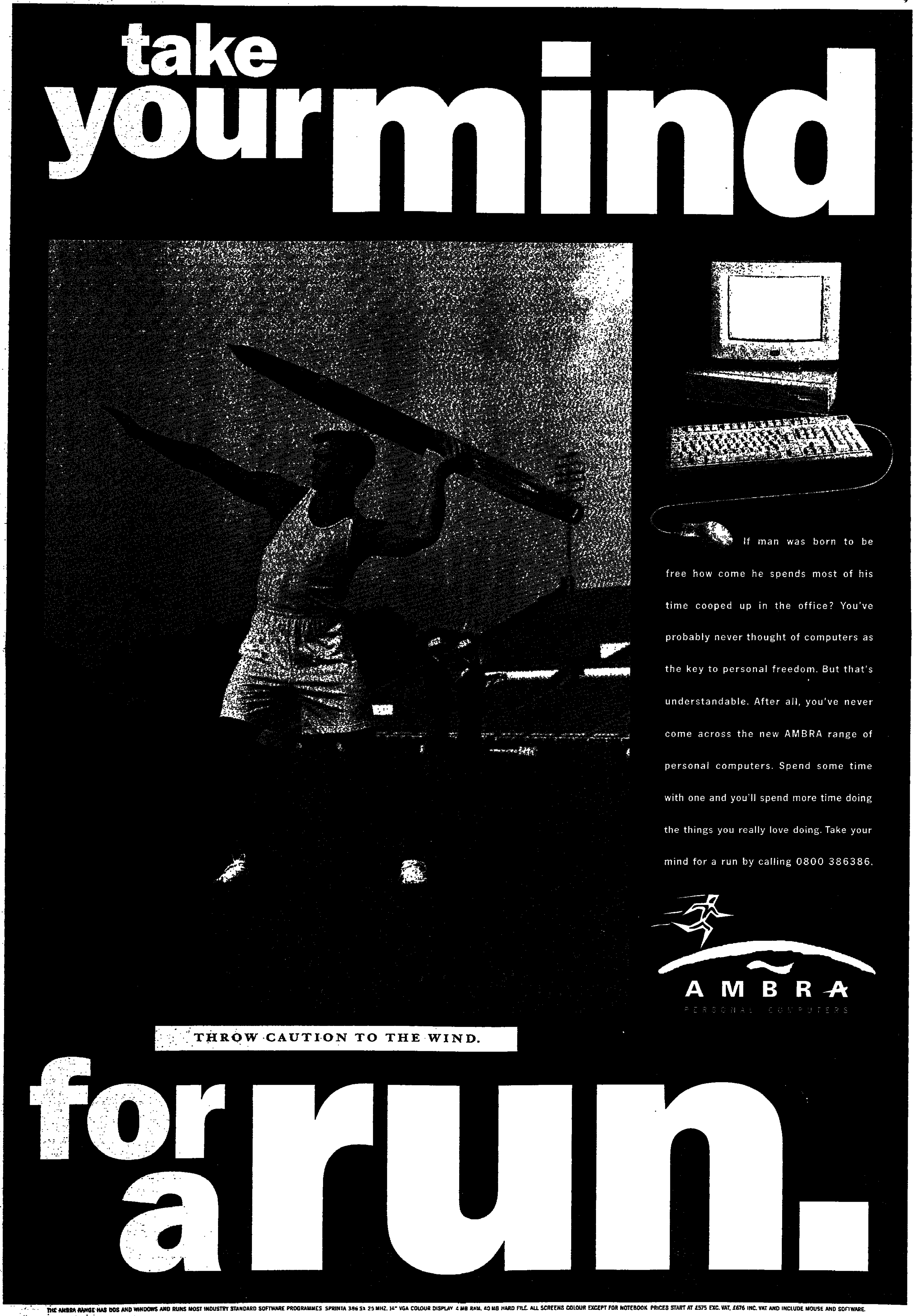
Turkey's police are negotiating with Russia for the supply of MI-17 troop carrying helicopters. Turkey's defence procurement agency, SSM, signed a $116m joint production contract with Giat of France for guns and turrets for an armoured personnel carrier produced in collaboration with the US company, FMC. An earlier deal with the Swiss company Oerlikon for a 25mm gun was cancelled following Swiss parliamentary objections over Turkey's handling of Kurdish unrest.

● Turkey is likely to delay its long-standing ambition of full customs union with the European Community set for 1996, in a bid to protect key domestic industries, according to a senior government official.

Professor Emre Gonensay, the prime minister's economic adviser, said in an interview with the Financial Times that Turkey was on line to eliminate tariffs and introduce a common external tariff but that Ankara would negotiate to extend import protection for "some sectors" beyond the 1996 deadline.

This is the first public admission that Turkey is considering rescheduling the phased elimination of tariff barriers under a 1963 Association Agreement with Brussels, which is the first step to full accession to Community membership.

More than half Turkey's trade is with the EC; 57 per cent of its industrial exports already enter the community duty free. But special extra budgetary levies exacted on selected imports mean effective rates of protection for domestic production are as high as 50 per cent on items such as textiles.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Pollution at sea treaty divides delegates

By Bronwen Maddox, Environment Correspondent

ATTEMPTS to salvage a new international treaty on sea pollution were continuing late last night in Paris, after the first day's talks failed to settle the row over whether Britain should be allowed to dump radioactive waste.

The 12 countries bordering the north-east Atlantic, which are due to sign the treaty today, are divided on whether a moratorium rather a permanent ban on radioactive waste dumping would be acceptable.

The treaty, which covers all dumping and discharges into the sea, has been dominated by the radioactivity issue.

Iceland, Norway, Sweden and Spain have voiced the fiercest opposition to Britain's position, partly because waters near them were used for dumping low-level radioactive waste from the 1950s until the present moratorium began in 1982.

Mr Klaus Topfer, the German environment minister, said last weekend that Germany might accept a temporary ban, but would press for a longer ban than the 10 years that Britain is suggesting.

The French environment minister, Mrs Segolene Royal, who is chairing the conference, is also understood to favour an extension of the present moratorium. Like Britain, France has nuclear submarines and power stations to decommission in the next two decades.

The UK environment department said: "The UK very much wants to see the new convention signed. It has at present no intention of dumping any radioactive waste ... (but) at the moment it does not have a workable land-based alternative to sea-disposal."

The DoE said that before dumping it would consult other signatories to the treaty and the IAEA, the international nuclear watchdog.

Greenpeace and Friends of the Earth, the environmental pressure groups, accused the conference and the UK government of threatening to reduce the amount of publicly available data on Atlantic pollution.

NORTHERN IRELAND

Extension agreed on Ulster talks

By Tim Coone in Dublin

THE DEADLINE for concluding the talks on the political future of Northern Ireland was yesterday extended beyond the end of this month, in apparent recognition that a conclusion to the complex negotiating process is still some way off.

Yesterday's session of "strand two" of the talks – which are taking place in three "strands" – set no new deadline. But it was decided that after three days of talks in Dublin this week, the next round will go to Belfast next week.

When the talks began last April, it was intended that they should have concluded by the end of July. This deadline was extended during the summer, until the end of September.

Mr David Andrews, the Irish foreign minister, said the presence in Dublin of leaders of the Ulster Unionist Party was an "historic" event, but added that he did not wish to overemphasise this "out of sensitivity for the other participants".

Yesterday's session at Dublin Castle was the first time since the partition of Ireland in 1922, that unionist leaders had visited Dublin for substantive political discussions.

The Democratic Unionist Party, led by the Rev Ian Paisley, is boycotting this week's Dublin phase of the talks arguing that the Irish government has not demonstrated any flexibility over the territorial claim to Northern Ireland which is enshrined in its constitution.

Terrorism and security matters, the issues of identity and allegiance, as well as what is considered the central issue of the constitutional status of Northern Ireland were touched upon at yesterday's session.

Mr Andrews said afterwards: "The discussions were very positive." But Mr James Molyneaux, the Ulster Unionist Party leader, studiously ignored pleas from the press for a statement as he left the day's talks.

This evening, a bilateral meeting between the British and Irish governments is due to be held under "strand three" of the process, and is expected to set a date for the next meeting of the Anglo-Irish conference. This will also be a bilateral meeting of the two governments, but will take place in the context of the 1985 Hillsborough Agreement.

It was at the insistence of the DUP that the Anglo-Irish conferences were suspended last April, to allow the talks process to proceed – the talks are designed to find a replacement to the agreement.

Last month it was agreed that the next bilateral conference would not be held "before September 28". Both the British and Irish governments are concerned that any further postponement of the conference would undermine the 1985 agreement, but there is concern that the convening of a new conference might prompt the DUP to withdraw from the round-table talks altogether.

AFTERMATH: The smoke clears following an explosion at a chemicals plant in Castleford, West Yorkshire. Two people died and 15 were injured, four seriously, at the manufacturing plant of Hickson and Welch, a subsidiary of Hickson International, the chemicals group. Initial reports said the blast happened during routine maintenance on a distillation column used to purify nitrotoluene

Students find little lure in a taxing career

By Andrew Jack

BEING A tax inspector is the career that appeals least to students, with journalism the most popular, according to the annual MORI survey of final-year university students.

From a list of industries and professions, 49 per cent said they were "very or fairly interested" in broadcasting and journalism, 39 per cent in public relations and 38 per cent in teaching. At least one third were interested in management consultancy, advertising and the civil service.

Just 5 per cent – down from six per cent last year – said they were interested in the tax inspectorate, with 79 per cent saying they were not interested at all. The next least popular options were the Royal Navy, the Army and the Royal Marines. The questions were posed in March this year at 18 universities to a representative sample of 1,024 final-year students.

Asked more generally about the field in which they would like to work, 22 per cent said research and development, followed by general management and scientific research.

The proportion interested in finance was 17 per cent, which is 2 per cent lower than last year. Among the least popular subjects are surveying and property development at 3 per cent, and distribution at 2 per cent.

The average expected starting salary was £12,330, which was 2 per cent in real term below the level one year ago. Women's expectations – at £11,590 – were significantly below men's, at £12,830.

BRITAIN IN BRIEF

Shorts wins order for business jets

Participation in the development of a new business jet programme is expected to secure between 700-800 jobs at Short Brothers, the Belfast aerospace company now part of the Canadian Bombardier group.

Learjet, the sister company of Shorts within Bombardier, yesterday unveiled plans for the new medium-sized business aircraft, the Learjet 45, just before the opening of the Dallas business aircraft show.

The Canadian company confirmed that the Belfast-based manufacturer will design and build a major proportion of the airframe.

Three Bombardier aerospace companies are participating in the project. Apart from Learjet, de Havilland in Toronto will be responsible for the wings, and Shorts will design and manufacture the complete fuselage

Preliminary design work has already started and it is estimated the project could bring 700-800 jobs to Shorts when the aircraft is in full production.

Shorts is Northern Ireland's largest private employer and already employs more than 8,000 people there.

Youth Hostels hit by recession

Unemployment in Australia made itself felt in Britain when the Youth Hostels Association announced the closure of its Northern England office in Newcastle.

The association expects overnight visitors at its 230 hostels in England and Wales to fall to 1.9m this year, compared with a 1989 peak of 2.15m.

The drop in Australian visitors was partly off-set by an increase in the number of Americans who have traded down from hotels to youth hostels in an attempt to make their dollars go further.

However, the number of UK hostellers has fallen sharply as youth and student unemployment has hit the association's traditional market. "Our typical member is a 26-year old from London or the south-east. Many are students," said Mr Colin Logan, the association's chief executive.

Although the cost of a bed can be as low as £3 a night, Mr Logan said the youth hostel business was devoid of recession-resistant qualities. "The cost of transport is a greater problem than the cost of accommodation," he said.

Broadening the appeal of youth hostelling was also a difficult task. "It would be quite a significant cultural jump from Benidorm to a youth hostel," Mr Logan said.

Lloyd's finds new business

The provision of unusual types of business at Lloyd's of London took a new turn yesterday with an underwriter launching the first known insurance against pension fund theft.

Syndicate 1007, managed by Spreckley Villers Hunt & Co, is the lead underwriter for insurance cover which will protect pension fund assets for up to £50m.

The policy will provide "first party" cover, which should permit prompt reimbursement once theft has been established without the need for civil or criminal action.

It defines theft as the dishonest appropriation of pension fund property with the intention permanently to deprive the assured of that property.

Existing insurance cover has only been available for negligent errors or omissions by pension fund trustees and not for deliberate fraud.

Ignorance of EO schemes

Almost 30 per cent of women workers do not know if their employer has an equal opportunities policy, a survey of 20 blue chip organisations suggests.

The survey, conducted by recruitment advertising specialists, Riley Advertising, found that all but one employer had an equal opportunities policy. Researchers questioned both employers and 437 of their women workers.

More than half of those women who are aware of their employer's equal opportunities policies said they were only partly successful.

However, more than 80 per cent thought the policies were useful to enable equality of representation for all groups and to help women's promotion prospects.

RTZ cuts 540 jobs

The savage cuts in RTZ Corporation's UK workforce are to continue with 540 job losses at its MK Electric subsidiary which makes plugs, sockets and circuit protection equipment. This represents more than 20 per cent of the workforce of 2,600.

Two factories in Edmonton, north London, bear the brunt of the cuts as 330 jobs will go this year and one plant will close. The rest of the 410 job losses in 1992 are at factories in Essex – at Southend and Basildon – and MK's head office will cut its workforce by 130 over the next two years.

This is the second substantial cut in jobs at MK. In January last year it made 415 employees redundant at Edmonton, Broadstairs in Kent and at its Buckinghamshire distribution depot because the recession had depressed demand for domestic appliances and household electrical wiring.

RTZ said that since the start of the recession in 1989 it had eliminated 6,000 jobs or 20 per cent of the workforce at its RTZ Pillar industrial operations in the UK, which include MK.

Guidance on share ownership

The Department of Trade and Industry has issued guidance on how companies can launch an investigation into the ownership of their own shares under Section 212 of the 1985 Companies Act.

Public companies are allowed under the act to discover details of any interest in its shares over the previous three years by any person or company that it contacts using a Section 212 notice.

BUSINESS LAW

Down a well-travelled road on insider dealing reform

By William Knight

The Company Law Committee of the Law Society last week called for public consultation on the proposed law on insider dealing. The problems with the legislation are an example of what happens when technical legislation is brought to parliament without public consultation on the draft clauses.

There is a convention that primary legislation should not be the subject of public consultation before it is introduced to parliament. There is consultation on the principles involved, but not on the legislation itself.

The Company Law Committee believes that this convention has not served us well and has contributed to the enactment of legislation which does not achieve its aims. Parts of the Companies Act 1989 provide a good example. With the legislation on insider dealing we appear to be headed down the same road.

The committee has commented extensively on the draft clauses. There are two kinds of problems – a basic problem which arises because we are trying to implement a European Community directive which has no clear principle behind it; and technical problems which mean that we are in danger of making a bad position worse.

At the moment, an individual is not an "insider" unless he or she is connected with the issuer of the securities, or connected with some other body which is involved in a transaction with the issuer, or unless the individual is a "tippee" – a person who receives the inside information from someone who has such a connection.

The directive does away with this connection, and an individual will now be an insider if he or she "has access to such information by virtue of the exercise of his employment, profession or duties". The principle behind this is very hard to pin down.

Added to this, both the directive and the draft legislation alter the kinds of information which will in future be regarded as "inside" information. The effect is to make it much more uncertain whether particular facts – or rumours – are caught.

The combination of the removal of the connection requirement and the new wide class of inside information leads to difficult and often uncertain results.

If, for example, a diligent analyst discovers information about a company with the aid of the resources of his firm, does this amount to information which he has obtained "by virtue of the exercise of his employment"?

Arguably it is not – the fact that he is paid to do this sort of work does not mean that he obtains access to the information by virtue of his employment if it could have been discovered by anyone.

On the other hand, suppose the analyst tells other people in his organisation. Those individuals then do obtain access to the information by virtue of their employment. Are they forbidden to deal, and more important, forbidden to encourage others to do so?

Similar problems arise with journalists who discover unpublished facts about companies.

If we are to extend the class of insider in this way then it is very important that we set out the principle behind what we are doing and define clearly whom we are trying to catch.

Then there are the technical problems. Under our present law there is an exception which, in some circumstances, allows an insider to deal where the inside information relates to a transaction and the dealing is to facilitate that transaction. This is the exception which allows, for example, a bidder to buy shares in the target in advance of a bid.

Only if the government is prepared to consult publicly on the draft legislation can it hope to get it right

The directive contemplates such an exception and the committee believes that there is to be a clause along these lines in the legislation. But the committee has not seen it yet and it is likely to raise difficult technical problems (as does the present law). The committee believes firmly that there is no substitute for public consultation on a point such as this.

At present, the law only applies to deals on the Stock Exchange or through an off-market dealer who is making a market in the securities. The new law will apparently also apply to deals through or by a professional intermediary.

The result of this can be anomalous. It will mean that a private individual can deal with another, face to face, on the basis of inside information, and not commit an offence. However, if he sells to a professional in exactly the same circumstances, he will be committing an offence. This is irrespective of the size of the dealing and whether or not it affects the market.

Taken to its logical conclusion this seems to mean that a private investor can safely take advantage of another private investor when dealing face to face but can not take advantage of a hardened City professional. This is a very odd result.

This may also cause problems in relation to underwriting where a professional intermediary will agree, by signing an underwriting agreement, to acquire securities at a time when the information relating to the issue has not been made public.

At the moment there is no offence because the dealing does not take place on market, but it is clear that if this definition is going to change then underwriting will have to be catered for.

There are many other problems and none of them is simple. The solution depends on clearly establishing the principles behind the draft legislation and then discussing its ramifications thoroughly with those who are familiar with the workings of the securities market.

Only if this is done can the UK hope to achieve legislation which is clear enough to catch the insider, but does not impede legitimate business transactions or interfere with the capital raising function of the market.

London already has a reputation as a heavily regulated market. It is very important that UK rules are clear, well understood and well known and that legitimate transactions are not affected by quirks in the law.

It is only if the government is prepared to consult publicly on the draft legislation that it can hope to get it right and to present parliament with a bill which does not cause more problems than it solves.

The author is a partner of City solicitors Simmons & Simmons and chairman of the Law Society's Company Law Committee.

PC discs sent down the phone

Sending printed documents has become effortless, thanks to the widespread availability of facsimile machines. But when it comes to sending material from one personal computer to another, even seasoned PC users often find the task daunting.

At the moment, information is transmitted between PCs – either from a remote PC to the office, or across different networks – down an ordinary telephone line using a modem.

The problem is that the telephone line, which was designed to transfer voice rather than data, can be an unreliable and slow conduit for sending information from a PC.

Now comes the floppy disc transfer machine which will send the entire contents of a 3.5-inch or five-inch floppy disc down the phone line to another disc.

In order to transfer the information it is first read by a floppy disc drive. The signals are then compressed so they can be sent down the digital network and decompressed, or expanded, at the other end. Then they are copied on to a disc stored on a receiving machine.

Because they involve the transfer of digital signals, floppy disc transfers can only be used where an integrated services digital network (ISDN) is available.

In Japan, where 94 per cent of those who use telephones have access to ISDN services, NTT, the former public telecommunications operator, started selling floppy disc transfer machines two years ago.

The NTT machines are manufactured by Yamaha. The NTT machines can also be used to copy the contents of discs of different sizes on to each other. NEC, the electronics group, has a similar model.

Europe has still some way to go in building up its ISDN infrastructure but in the UK, BT, the telecommunications group, has been making an effort to expand its ISDN network. BT said that it is currently looking at the floppy disc transfer machine on a trial basis.

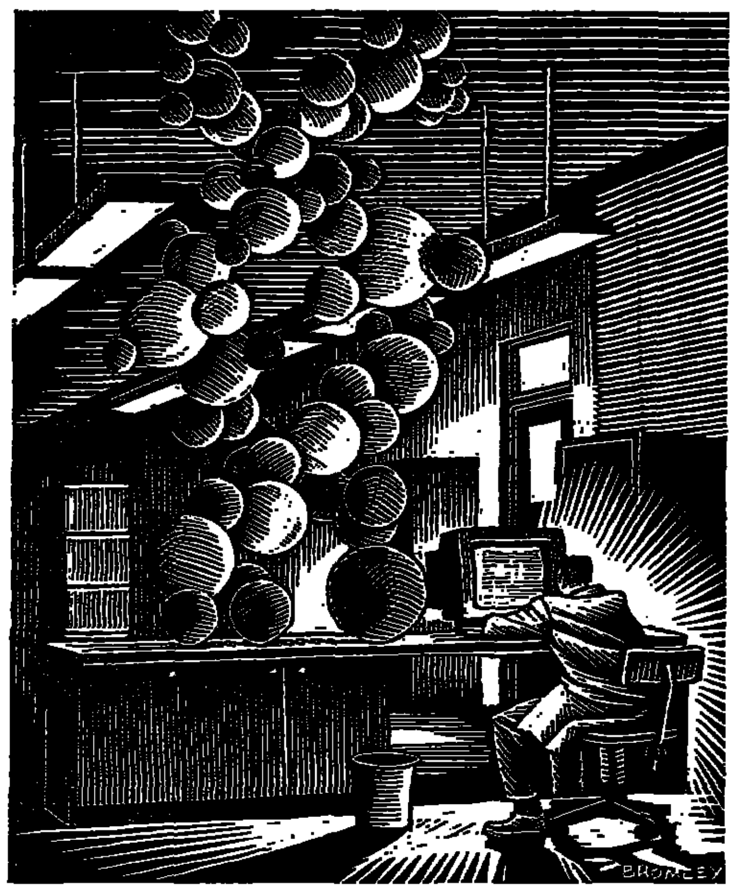
NTT believes that when ISDN is more widely available in Europe, the floppy disc transfer machine will find strong demand.

In the US, however, the adoption of different ISDN standards by the Baby Bells makes the system it impossible to use.

Michiyo Nakamoto

Victoria Griffith looks at a faster method of getting drugs to market

Molecules muscle in



A visit to a biotechnology or pharmaceutical company these days may yield some surprises to the casual observer.

The labs, complete with test tubes and scientists in goggles and white coats, are still there. Increasingly prominent, though, are computer rooms, where researchers sit in the dark looking at coloured pictures on the screen, and designing the drugs of the future.

"These new molecular design methods will become increasingly significant for the industry, and in 10 to 30 years will account for many of the new drugs on the market," said Jaqueline Siegel, an industry analyst at Hambrecht & Quist in New York.

The new method, sometimes referred to as "second generation biotech", is really a convergence of biotechnology with more conventional molecular design.

The biotech industry's traditional products are proteins for which a useful application has been discovered. But the problem with using proteins as drugs is that they are too big to get through biological barriers in the body. "They are simply too large," explains Joshua Boger, chief executive officer of Boston-based Vertex Pharmaceuticals.

Their size means they must be injected straight into the blood. If taken by mouth, they are broken down in the digestive system. Insulin, considered the first biotech product and one of the smallest proteins in existence, has a molecular weight of 7,000, compared with aspirin, which has a weight of 150.

This is a particular problem because the greatest medical challenge to scientists is fighting diseases like cancer and Aids. "Biotech products are too big to be taken orally, and if you want to treat chronic diseases, which require continuous administration, you really need an oral product," Boger said.

Scientists agree that the industry's familiarity with protein structure is invaluable in the search for useful drugs. But the new second-generation techniques require a change in philosophy in the industry. Under the new methodology, the protein is no longer thought of as a possible product; rather it is considered a target.

"What we realised is that many chronic diseases are caused by reactions of a single protein within the body," said John Maraganore, head of biological research at Boston-based Biogen. "So if we can design molecules that bind to the protein to somehow affect the reaction, we may have a useful drug."

Vertex is using the new method to work out a cure for the Aids-causing HIV virus. The company has discovered an empty space in the protein where a chemical process causes the virus to become active. The hope is that by plugging up that space, the molecule would simply lay dormant in the body.

The product which will probably come on market first is one developed by a traditional pharmaceutical group, Merck, to prevent glaucoma. In late clinical trials, the product may be on pharmacy shelves as early as 1994.

Squibb and Hoffmann-La Roche are also using second-generation molecular design techniques to come up with new drugs. "(Second-generation) is a powerful approach which is being heavily utilised in the industry," said Peter Lomedico, senior director of molecular biology at Hoffmann-La Roche.

Traditional pharmaceutical companies are approaching the new technique from a different direction than biotechnology firms. Unlike biotechnology companies, pharmaceutical groups were always in the business of looking for small molecules. The problem was that there was little method to the madness.

"Old-fashioned research methods call for years of random testing," said Boger, who worked for many years in the pharmaceutical industry. "What the scientists do is experiment with substances to see what works. They often use soil samples because they contain so many different compounds. If something accidentally works, they turn it into a drug."

The problem is that this method is costly and lengthy. Traditional drug discovery takes an average of seven years. And the average cost of traditional drug development is a hefty $220m (£124m) per product. "It's trial and error with too much error," said Boger.

The aim of second-generation biotech is to get drugs on to the market faster. "The new techniques are a lot better than the traditional grind and find approach," said Siegel.

Another problem with traditional drug development is that it creates a product which often has side-effects. "The compound may cleave to the protein you want, but it may bind to other proteins as well," said Boger. "That's what causes side-effects. With new molecular design methods, we try to get as specific as possible, trying to come up with a molecule that binds to just one specific protein."

Whatever direction they are coming from, both biotechnology and pharmaceutical companies are now using similar methods in the new molecular design approach. The latest techniques take advantage of a process called X-ray crystallography, which enables researchers to take a three-dimensional picture of a protein. The protein is then entered on to a computer screen, where scientists design drugs they believe will react with the target molecule. This method is sometimes referred to as "structured rational drug design".

"It's becoming increasingly like a recipe," explained Maraganore. "If you want to make the compound longer to fit on to the protein better, you add on some amino acids – shorter, and you take a few beads off. What you come up with is not something found in nature, which would be a traditional biotech product, but a unique, designed drug which binds to a specific protein."

Structured rational drug design uses both the protein expertise of the biotechnology firms and the molecular design methods of the pharmaceutical groups. For that reason, many companies find that joint projects are the best road to take.

"It's the development of this new technique, which uses the expertise of both industries, which is inspiring a lot of the partnerships now forming between biotechnology and pharmaceutical groups," said Siegel.

The latest method of drug research is just beginning to take hold in the industry, and no products developed through the technique are yet available on the market. But few doubt that it is the wave of the future. "This is the permanent trend of the industry," said Lomedico of Hoffmann-La Roche. "There's no turning back now."

Technically Speaking

Computers on the home front

By Louise Kehoe

HOW MANY times have we heard that millions of living rooms are about to accommodate a home computer? It seems that every couple of years one or other of the leading personal computer manufacturers takes a new stab at creating consumer interest in computers.

To date, the results of their efforts have been less than spectacular. Now here we go again. Apple Computer and International Business Machines are mounting renewed efforts to address the nascent home computer market.

Apple, with a new range of "Performa" Macintosh models, and IBM, with additions to its PS/1 range, aim to open the floodgates of incipient demand which they are convinced is still lurking behind the front doors of suburban households.

Some 7m American families, according to Apple's reckoning, can afford to purchase a personal computer but have not, so far, got around to it. The targeted group is parents of school-age children. These families will have "multiple motivations" to purchase a home computer, Apple predicts.

Dad and Mum may use the computer for work they bring home from the office. It will also, Apple suggests, become a tool to work out household finances. Children will use it for their homework. Parents may also use it as an education tool to learn new skills. And everyone will enjoy computer games.

None of this is new. A decade ago, PC industry executives were expounding the joys of home computing in similar terms. For all of these years, PC makers have been searching for a "compelling application" for the home computer. They have never found it.

So what is going to persuade people to dig into their pockets to buy a home computer now? Apple's US marketing experts suggest that changing patterns of consumer spending, driven by recessionary pressures, should make this latest generation of "home computers" more successful.

Consumers are now looking for products with "real value", as opposed to products with status or design appeal, according to Apple's research.

Parental concerns about the so-called "education crisis" in schools, spurring greater efforts to help children learn at home, will prompt home computer sales, the company predicts.

Home office activity is also on the rise as a result of the economic recession, leading to increased demand for home computers. Working parents also want the flexibility to be able to bring work home when they need to.

IBM, similarly, believes the time is right to reach consumers who have sat on the sidelines for the past decade wondering why and whether they really need a computer in the home.

A blunter assessment might be that the 30-40 per cent slide in PC prices over the past year has done what millions of dollars of advertising failed to do: encourage consumers to look again at products that they previously regarded as expensive toys.

At today's prices, perhaps a PC is worth considering. Whether this will translate into strong sales is less certain, with consumer spending in a slump and consumer electronics markets particularly soft.

But price-war-weary PC makers are desperate to find new customers, so it is time to give the consumer market another shot. The products that Apple and IBM are offering to consumers are little more than renamed, rebundled office computers.

Apple has added an easier-to-use graphics interface to its new Performa line, but otherwise its "new" products differ little from existing models. Much is also made of the fact that these consumer-oriented computers will be available in department stores.

That too, has been tried before. One day there will be real "home computers", but they probably will not look like today's offerings. In the meantime, the "commodity PC", whether it comes with Mickey Mouse software or the same program you use at work, will appeal only to bargain hunters who already know what a PC can and cannot do for them.

PEOPLE

Progenitor joins ICI Bioscience

The man from SG Warburg who played a central role in advising the planned break-up of ICI is joining the chemicals and pharmaceuticals company next week and will become finance director of ICI Bioscience in January when ICI Bio is split from ICI.

John Mayo, 36, a corporate finance director at Warburgs, ICI's lead banker, was called in at the beginning of the year to look at the various options for ICI – which, at the time, was hard-pressed by the 2.8 per cent stake Lord Hanson had taken in the company. The plans for the split, the largest demerger ever in the UK, were announced at the end of July.

Mayo will report to David Barnes, 56, a main board director and long-serving ICI man, who has been named as the chief executive of Bioscience.

The appointment marks another departure from the conglomerate's tradition of producing its own senior executives. While Mayo is not coming on to the board, his will be a senior position, and among current directors, only Colin Short, finance director, joined from outside in 1990. Before that, the last external appointment was Sir Paul Chambers (chairman from 1960-1968) in the 1950s. "Times are different now," says ICI, partly reflecting the changes wrought by the presence of Hanson – which sold its stake in May.

Mayo, a graduate in economics and economic policy from Loughborough University, joined Arthur Andersen in 1978 as an articled clerk. Six years later he moved to Warburgs.

Non-executive directors

■ **Bernard Wheeler** has resigned from BIMEC INDUSTRIES.
■ **Sir John Stanley MP** has retired from CONDER GROUP.
■ **Richard Tracey MP** at RANELAGH.
■ **Sir Ivan Ewart** has resigned from EWART.
■ **Viscount Churchill**, md of Church, Charity and Local Authority Fund Managers, at KLEINWORT CHARTER INVESTMENT TRUST.
■ **James Power** at MERCHANT RETAIL GROUP.
■ **Oluf von Lowzow**, chairman of the supervisory board of Topdanmark and a former member of the Danish parliament, at FRIENDS PROVIDENT. Friends Provident, Topdanmark, WASA and AVCB formed Eureko BV. Lord Jenkin of Roding, chairman of Friends Provident, joins the supervisory board of AVCB HOLDING nv.
■ **Sir Denis Forman**, former deputy chairman of Granada Group, at HAROLD HOLT Ltd.
■ **John Lock**, recently retired as a director of Prudential Corporation, at CREDIT & GUARANTEE INSURANCE.
■ **Brian Holford**, a director of Graham Rintoul & Co Ltd, at RELYON GROUP.
■ **Sir Ralph Carr-Ellison, Robert Dickinson, Paul Nicholson, and Ward Thomas** at YORKSHIRE-TYNE TEES TELEVISION HOLDINGS.

■ **Following the departure of Martin Saunders to sort out the Tory party's finances at central office, David Morris, a senior partner of KPMG Peat Marwick is joining P&O as its new group finance director.**

Bruce MacPhail, who has a double first in maths and is a chartered accountant, is a highly financially literate managing director, so the City saw much less of Saunders, a quiet man who busied himself with the nuts and bolts of the figures.

Saunders' predecessor as finance director, Andrew Robb, who moved across to Pilkington in 1989, had been more active as far as the City was concerned.

Morris, too, may wish to adopt a higher profile. With Peat Marwick since 1959, he has spent most of his time on the accountancy side, but worked in the management consultancy arm between 1980 and 1989. In 1989 he was president of the Management Consultancy Association.

While KPMG are P&O's auditors, Morris was not responsible for that area. He does, however, know chairman Lord Sterling and Bruce MacPhail well.

P&O is wrestling with a mountain of debt – gearing standing at around 70 per cent – acquired partly as the result of its involvement with Laing Properties since early 1990; one analyst characterises Morris' new assignment as "no soft option".

Taunt rejoins Smiths Industries

No amiable bon mots for some weeks from Robin Taunt, newly appointed business development director at Smiths Industries. He is already hard at work in the US learning his new employer's business. Or rather, learning how it has changed since the late 1970s, when he last worked for the fast-growing, acquisitive high technology company.

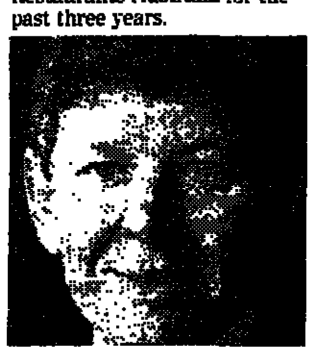
Then he spent seven years with Smiths in various senior appointments before leaving to become group planning and development manager and eventually security division chief for MK Electric.

His principal role is to look after Smiths' ambitious acquisition programme (and, to a lesser extent, disposals). The group has £95m in cash to snap up bargains in the company's core areas of aerospace electronics, medical systems and specialised industrial products. Taking on debt will prove no barrier if Taunt comes up with a suitably enticing prospect.

Now 43, he is a metallurgist by training and came to grips with acquisitions and divestments through a spell as head of corporate finance for British Telecom.

His appointment will give economic adviser Gerry Mortimer new freedom to concentrate on strategic planning and investor relations.

■ **Mike Russell** (above), formerly finance director of Asda Stores, has been appointed finance director of JCB. He succeeds Alan Mellor who has been appointed md of JCB's Japanese joint venture, JCB-SCM.
■ **Malcolm Lofts** has been promoted to finance director of Bluecrest Foods, part of BOOKER.
■ ***Tony Clarke***, *formerly md international of Official Airlines Guide, has been appointed md of* INTERNATIONAL CUSTOMER LOYALTY PROGRAMMES GROUP.
■ **James Perrella** has been appointed to the board and president of INGERSOLL-RAND Company.
■ **Charles Stern**, who joined United Newspapers as finance director in July, is also joining the board of its subsidiary, Extel. Stern replaced Graham Wilson as finance director at United Newspapers when Wilson became managing director and has now taken his place on Extel's board.
■ **Wilfried Behle**, until recently md of Hewi, a nylon hardware product manufacturer, has been appointed marketing and sales director of the newly created NEWMAN TONKS Europe, in Renchen, Germany.
■ **Colin Stacey** (below) has been appointed ceo of The Keg, WHITBREAD's North American restaurant operation; he moves to Vancouver from Australia where he has been ceo of Keg Restaurants Australia for the past three years.



MANAGEMENT: THE GROWING BUSINESS

Charles Batchelor says entrepreneurs should reassess the ways in which they are funding their enterprises

Time to take an interest in rates

It has been a trying week for Chris Tubbs, managing director of Wiltshire-based Tubbs Elastics, a family-owned business with sales of nearly £8m and 200 employees.

Last Thursday's threatened five point increase in interest rates had Tubbs postponing several spending decisions.

He put on hold approval for the purchase of three new directors' cars, delayed implementation of a programme to upgrade the company's computers and cancelled a photocopier machine contract.

But within 24 hours, the chancellor had reversed the interest rate rises and Tubbs had reinstated his spending plans. As the Forum of Private Business, a small firms lobby group, reminded the government last week: "Unstable interest rates prevent businesses planning ahead with certainty."

How are businesses to cope with gyrating interest rates? Smaller firms do not have their own treasury departments and they lack ready access to financial management expertise.

Nevertheless, even the smallest firms can carry out some fairly basic financial planning while financial instruments such as "caps", which set an upper limit on interest charges but which were previously reserved for the large corporation, are now available to the smaller business.

As a first step, management should check existing financing arrangements, says Colin Moor of Taurus Banking Consultants. Moor says one client who thought he was paying 3 per cent over base rate discovered he was paying his bank's penalty interest charge of 33 per cent on his entire loan facility. This error had cost him £15,000 in excess charges.

One detail of some loan arrangements which will become more important if interest rates start to fall is the setting of a minimum base rate, says Alastair Winter of the Bank Relationship Consultancy. "Some agreements state that you will never pay less than, for example, 8 per cent," he notes.

Businesses must also check whether the overall structure of their banking arrangement makes sense, advises Phil Doggett of Business Banking Review, a consultancy.

One company was involved in engineering contracts with an average life of 12 months, yet it financed itself with an overdraft which was subject to three-month reviews. This made a nonsense of its financial planning.

Once the business has established that its existing banking arrangements make sense and are error-free, it should go on to plan its future requirements. How do these match up with future expectations on interest rates?

Many companies refuse to plan for interest rate movements, arguing that it is too much effort, that the markets cannot be beaten or that uncovered positions will average out over time anyway. This is fine provided that they can pass on any increase in interest costs to customers without reducing sales, their margins or their market share, says Eric Warner, a director at National Westminster Capital Markets.

Some companies attempt to hedge their bets by dividing their borrowings equally between fixed-rate and variable-rate loans. This implies that they have no expectations at all of the direction of future interest rate movements, says Warner in the Director's Guide to Getting the Best from your Bank.* But while it may sometimes be the case that rates are as likely to move up as down, it is more often likely that the economic cycle will be tending to push rates in one or other direction.

In the six years up to early 1992, sterling interest rates – based on the six months' London inter-bank offered rate (Libor) – averaged just under 12 per cent but fluctuated between 8.4 and 15.25 per cent. Past performance is no reliable guarantee of future trends but a check against the longer-term trend will show whether present interest rates are below the average, and therefore likely to rise, or above average and therefore likely to fall.

In principle, therefore, managers can decide whether they need to increase the proportion of fixed-interest debt in the expectation of higher interest rates in future or increase variable borrowings because they expect a fall.

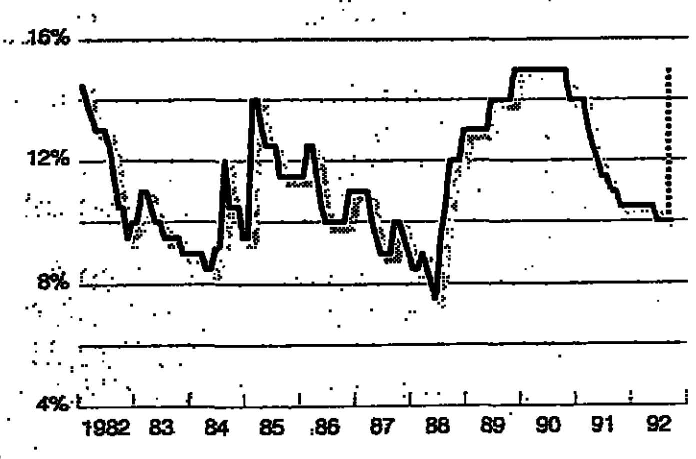
Many commentators are now expecting interest rates to fall since Britain no longer needs to defend a fixed parity for sterling within the ERM. This may encourage the already strong tendency of British small firms to rely on short-term, fixed-rate borrowings, mainly in the form of overdrafts, though fixed-rate borrowings need to be considered for some purposes.

"We recommend fixed-rate loans if a business is particularly susceptible to interest rate movements because the business operates with large borrowings and narrow margins," says Richard Parkinson of the Bank Relationship Consultancy.

Despite the banks' urgings to their small business customers to take up fixed-rate term loans instead of relying on overdrafts – only about one-third of small firms have term loans – there are a number of disincentives.

Fixed-rate loans are not offered on the sharpest terms, notes Parkinson, while the penalties for prepayment can be high. In addition, front-end fees of 1½ to 2 per cent for term loans are not uncommon and act as a disincentive, says David Burton of the Centre for Consultancy (Surrey).

UK clearing banks' base rates



Financing methods used*

TYPE OF FINANCE	NUMBER	PER CENT
Overdraft	151	79.9
Term loan	75	39.7
Leasing	72	38.1
Hire purchase	62	32.8
Share issues	11	5.8
Factoring	5	2.6
Invoice discounting	7	3.7
Other	11	5.8

* Survey of small companies in Essex and Hertfordshire
Source: Business Banking Review

Another disadvantage of switching from an overdraft to a term loan is that the business may lose the benefit of current account balances. If the company runs an overdraft, payments received reduce the size of that overdraft. If it has a term loan but no overdraft, payments go into the current account, which normally does not earn interest, and make no contribution to reducing financing charges.

Term loans make strong sense when long-term assets are being bought. Buying land over a 20-year period using finance subject to three-monthly review or recallable "on demand" exposes the business to changes in bank lending policies or to a change in bank manager.

The popularity of the overdraft means that many small businesses do not look beyond that for their finance. However, the banks have begun to tailor some of their financial services to their smaller customers.

Caps – which set a ceiling on the rate of interest which can be charged – are commonly used by larger companies to limit their interest rate exposure.

If interest rates exceed the ceiling, then the bank pays the company the difference. Until a few years ago, caps were only available in amounts of £5m or more but they have recently become available in smaller amounts. National Westminster Bank now offers a £100,000 cap tailored to "mid-corporate" customers.

Caps may be less popular if interest rates do fall – though they still represent an insurance policy against the unexpected – but companies which have taken out caps may now need to check the terms.

Companies which buy caps frequently reduce their premiums by, at the same time, agreeing a floor. If interest rates fall below the floor level, then the company pays the bank. The prospect of lower interest rates means cap and floor agreements, known as 'collars' may start to become a charge on companies.

Lower interest rates are a temptation to businesses to pay less thought to their financial arrangements but careful planning is still needed.

Doggett says: "At the moment, the businessman asks 'How can I reduce my overdraft?' What he should be saying is 'How can I fix my interest charges? How can I get to medium-term borrowings? What about caps and other products?' He should get his bank manager to be more pro-active."

**Institute of Directors 34 pages, £9.95.*

Taurus, Tel 0923 270495; Bank Relationship Consultancy, Tel 071 283 5454; Centre for Consultancy, Tel 0483 898888; Business Banking Review, Tel 071 528 8530.

In a Nutshell

Speaking the language of Europe

Machinery which crosses European Community borders will have to be accompanied from January 1, 1993 by instructions drawn up in the language of the country where it is to be used. Exporters have apparently been confused by the relevant EC Directive (89/392/CEE) but the European Commission has confirmed that instructions will have to be in the customer's language, according to Transtelex*, a translating company.

Even if the contract between an English exporter and, say, a German exporter stipulated that the language of the contract was English, this does not absolve the exporter from having the manuals translated into German, it said.

Customers could, in theory, refuse to accept delivery while customs officials could use the absence of a manual to block entry. British companies do not have a good record for providing foreign language manuals and last-minute orders to produce manuals inevitably lead to delays and to higher costs, says Peter Green, Transtelex's marketing manager.

**Tel 071 381 0967.*

Making the big break abroad

A two-day intensive training course to help businesses break into overseas markets will be run by the London Enterprise Agency (LEntA) on November 11 and 18. The course, subsidised by a commercial sponsor, also includes the opportunity for participants to take part in an international exhibition of their choice and six-months of free follow-up consultancy.

Contact LEntA, 4 Snow Hill, London EC1A 2BS. Tel 071 236 3000. Course fee £250.

How to survive the recovery

When the economy starts to recover from the recession, businesses may find themselves overtaken by decisions which appeared to make sense at the bottom of the downturn but which may lead to difficulties in the longer term.

Marketing budgets may have been cut or investments neglected because of pressure on finance.

Recession and Recovery: How Businesses Can Prosper provides an overview of six key areas which businesses need to consider if they are to survive in the longer term.

The booklet, produced by Alex Lawrie, a factoring company, and the Henley Centre, a forecasting consultancy, covers sales and marketing, cash controls, raising finance, distribution, time management and planning. It is aimed at companies with turnover of £100,000 or more.

**From Alex Lawrie, Marketing Department, Beaumont House, Beaumont Road, Banbury, Oxfordshire OX16 7RN. Tel 0295 272272. 46 pages. Free.*

Conference is a movable feast

The approach of 1993 and the formal creation of the single European market has prompted the organisers of this year's National Small Firms Policy and Research Conference to hold part of the event in France.

The conference, the largest annual get-together of academics specialising in small firms research, will start in Southampton on November 25 and 26 and, after an evening cruise to Cherbourg, continue for its final day in France.

Topics which are expected to be included among the papers to be presented are small firms policies in the recession; the preparedness among small firms for the single market; business ethics; and tensions between local and national policy following the creation of Training and Enterprise Councils.

Contact David Watkins, Southampton Institute of Higher Education, East Park Terrace, Southampton SO9 4WW. Tel 0703 229381.

Winning clients and influencing people

Large numbers of senior managers made redundant during the recession have become independent consultants without any training in their new role. This may make them less than effective in marketing themselves to clients or in providing a satisfactory service. Four-day courses in becoming a successful consultant will be run by GMS Executive Leasing* from October, covering subjects such as consulting skills, financial management and winning clients. Courses start at £850 rising to £1,950.

**Tel 0582 666970.*

BUSINESS WANTED

BUSINESS WANTED

BUSINESS AND OFFICE SERVICES

A subsidiary of an expanding listed group seeks to acquire for cash, quality UK businesses which:

- are one of the leaders, preferably in a niche market, excluding construction and high technology
- are earning profits before tax in excess of £500,000
- have a management team looking to continue

Vendors or their advisers should telephone either Tim Lyle or Anne Jordan on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc
Acre House, 11-15 William Road, London NW1 3ER

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

WANTED
WASTE DISPOSAL SITES

Waste disposal sites or Companies required by landfill subsidiary of major quoted UK plc. South East England preferred.

Write in confidence to Box A4392, Financial Times, One Southwark Bridge, London SE1 9HL

FASHION

Small London based Fashion design company (£600,000 turnover) operating in medium/better/designer sectors of ladies evening wear market seeks to acquire/merge with similar to benefit from economies of scale.
Write in confidence to Box A4396, Financial Times, One Southwark Bridge, London SE1 9HL.

Acquisitions Wanted

Smallish fully listed public company has cash available for acquisitions. Our preferred choice is for manufacturing companies that are related to the building materials or infrastructure sectors but we interpret these terms very widely and will consider most sectors. All letters will be acknowledged.

Please write to Box A4364, Financial Times, One Southwark BridgeLondon SE1

VALVE COMPANY OR PRODUCT LINES REQUIRED

Turnover from £500k to £20 million.
With valves servicing the following markets:

* Petro-Chemical
* Water Quality & Flow
* Utilities & Steam
* Off-Shore Oil & Gas
* Defence.

Reply to Box A4394, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED
Small to medium size General Insurance broking business, preferably in the western Home Counties.
Box No. A4399, Financial Times, One Southwark Bridge, London SE1 9HL

STOCKBROKING/FUND MANAGEMENT CO. REQUIRED

We would like to acquire either a small provincial private client stockbrokers or similar small discretionary fund management company. Perhaps non-core disposal or partner retirement. Full acquisition. Please write in strict confidence to: *Box A4397, Financial Times, One Southwark Bridge, London SE1 9HL.*

SEEKING TO PURCHASE

Small loan portfolios of Consumer Credit Business.

Please write to Box A4373, Financial Times, One Southwark Bridge, London SE1 9HL.

MAIL ORDER BUSINESS OR PRODUCTS WANTED

Long-established and successful private company seeks further growth by acquisition, merger or agency. Manufacturing and storage facilities available. *Reply to Box No A4401, Financial Times, One Southwark Bridge, London SE1 9HL*

WANTED
ELECTRONIC COMPONENT DISTRIBUTOR
T/O £Mil 2-7.
Preferably Southern England.
Box No: A4330 Financial Times
One Southwark Bridge,
London SE1 9HL

MANAGEMENT COURSES

Cranfield
School of Management

NO HOSTAGE TO FORTUNE

A state of the art briefing on personal security for executives

Responsible employers in public and private sectors now equip senior staff to counter threats of kidnapping, extortion, and personal violence aimed at themselves and their families.

PERSONAL EXECUTIVE SECURITY
specialist briefing-practical workshop
3 – 4 December 1992

This 2-day programme analyses risks to executives and to employing organisations. It details counter-measures in the workplace and at home. Counter-measures en route are covered by an intensive course in defensive driving over prepared routes on Cranfield's airfield runways.

Security screening present. For further details about this course contact: Kara Radcliffe at Cranfield School of Management, Cranfield, Bedford MK43 0AL England.
Telephone International +44 234 751122
National (0234) 751122 Fax (0234) 751806.

IMPERIAL COLLEGE
UNIVERSITY OF LONDON
THE MANAGEMENT SCHOOL

Part-Time Executive MBA

An MBA at Imperial is the foundation for a career in senior management

We offer a 3-year part-time Executive MBA programme for individuals wishing to enhance their managerial career progression without the constraints of full-time study. Participants have the opportunity to develop special competence in one of these areas.

- Management of Innovation
- Management of New Ventures
- Management Science
- Project Management
- Strategic Management
- Finance

The programme commences in January.

For further information please contact Jackie Sheehan (ext 7027)

The Management School, Imperial College, 53 Prince's Gate, London SW7 2PG.
Tel: 071-589 5111. Fax: 071-823 7685.

BUSINESSES FOR SALE

Touche Ross

Halls Homes & Gardens

(In Administrative Receivership)

The Joint Administrative Receivers, Tony R. Houghton and John P. Richards, offer for sale the business and assets of Halls Homes & Gardens.

- ☐ Market leader in aluminium greenhouses in UK and mainland Europe.
- ☐ Leading manufacturer of conservatories to the D.I.Y. trade and direct to the public.
- ☐ Annual sales approx. £20 million.
- ☐ Long established quality brand name.
- ☐ Excellent modern 70,000 sq. ft. production and warehouse facility at Gillingham, Kent.
- ☐ Experienced management team amd workforce of 175 people.

For further information, please contact Mr A. R. Houghton or Mrs S. Stephen at the address below.

Deloitte Touche Tohmatsu International

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6881.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Cuspo Limited

(In Administrative Receivership)

The Joint Administrative Receivers, J.B. Atkinson and A.P. Peters, offer for sale the business and assets of the above high quality roller shutter business.

- ☐ Annual turnover of approximately £1.8m.
- ☐ Strong nationwide customer base including many blue-chip retailers.
- ☐ Skilled and local workforce.
- ☐ Comprehensive range of products all made to customer requirements.
- ☐ Long-leasehold premises in Sunderland.

For further information, please contact Joe Atkinson or Duncan Morris at the address below.

Deloitte Touche Tohmatsu International

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
Tel: 021 200 2211. Fax: 021 236 1513.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the Assets of "VIEX Constructions and Equipment of Industrial Facilities", of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skoulenion Street, Athens, Greece, in its capacity as Liquidator of "VIEX Constructions and Equipment of Industrial Facilities", a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990,

invites tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was founded in 1980 and until 1991 (when it was first declared under liquidation in accordance with article 9 of Law 1386/1983) was involved in the study, construction and manufacturing of all kinds of industrial equipment and facilities, machinery, cars etc. The operation of the Company ceased in 1991. No personnel is currently employed. The Company's assets include facilities built on land of 4,650m² in Piraeus, and a 50% share on land of 5,246m² in Larissa. Assets also include machinery, mechanical equipment and trade marks.

OFFERING MEMORANDUM – FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: For participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 16th October 1992, 13.00 hours, to the Athens Notary Public George Stefanakos, address: 39, Academias Str., Athens, tel: +30-1-645.04.22 or 360.69.69, fax: 30-1-645.04.23. Binding offers submitted later than the prescribed time limit, as referred to herein above, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee: Binding offers must be accompanied by letters of guarantee, for an amount of drs eighty million (80,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 19th October 1992, at 11.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), at their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of assets shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator's agent: Mr. Constantinos Christopoulos, 56 Panepistimiou Street, Athens, Tel. +30-1-363.2047 or 323.1484, fax: +30-1-321.7905

ESTABLISHED MANUFACTURERS OF POLLUTION CONTROL EQUIPMENT

B.T. Sales and Services Limited (t/a BeTex International) and subsidiaries

The Joint Administrative Receivers, D J Stokes and M J Moore, offer for sale the business and assets of the above group of companies which service the Automotive, Industrial, Aerospace and Defence Industries

Principal features of the businesses include:

- annual turnover c.£2 million
- maintenance and testing of systems to COSHH requirements
- unique aerospace systems
- 18,000 sq ft leased premises in Sheffield, close to M1.

For further particulars of the assets offered for sale, please contact D J Stokes at Cork Gully, 1 East Parade, Sheffield S1 2ET.
Telephone: 0742 730401. Fax: 0742 598202

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

Brain Haulage Ltd.

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Brain Haulage Ltd., comprising haulage and container storage and repair activities.

Principal features include:

- Turnover of £16 million p.a.
- Freehold depot at Dagenham and long leasehold depot at Grays.
- Other depots at Felixstowe, Wakefield, Manchester, Birmingham and Southampton.
- Experienced workforce.
- Truck fleet of approximately 200 vehicles.
- High quality customer base.

For further information contact the Joint Administrative Receiver, Howard Evans, KPMG Peat Marwick, 50 Rainsford Road, Chelmsford, Essex CM1 2QL. Tel: (0245) 260443. Fax: (0245) 492771.

KPMG Corporate Recovery

On the instructions of The Joint LPA Receivers, L. Handscombe IPA and M C Withall FCA of Grant Thornton Re. Ashley Management Contractors Plc.

THE ASHLEY COURT HOTEL
Micheldever Road, Andover, Hampshire

A 3 star rated commercial hotel with 35 letting bedrooms and conference venue set in two acres of grounds.

Knight Frank & Rutley International 071 629 8171

Offers are invited for the freehold interest, trade furniture, furnishings and equipment subject to contract SAV.

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.
For further information or to advertise in this section please contact
Melanie Miles on 071 873 3308

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LEONARD CURTIS

BY ORDER OF THE LIQUIDATOR KEITH D. GOODMAN FCA

POMEGRANATES LTD.
(IN LIQUIDATION)

Well known Restaurant situated at 94, Grosvenor Road, SW1.
Established since 1974 and is featured in many Food Guides & Tourist Publications.
Accommodates approx. 50 covers. Leasehold premises.
Turnover 31/7/91 £372,000.

For Further information please contact Nigel Gomez - Lee;
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF
Tel: 071-262 7700 Fax 071 723 6059 REF: NGL/3

REPUBLIC OF POLAND

The Minister of Privatisation acting on behalf of the State Treasury, in accordance with the Privatisation Law (Article 23, 13 July 1990) invites interested parties to negotiations for the acquisition of (not less than 10%) shares in

OLZA S.A.

The company is a manufacturer of confectionery products:

- Chocolate covered wafer bars (Prince Polo brand)
- Wafer bars
- Prince candy bars
- Chocolate covered nuts and raisins

The Company is located in Cieszyn in Southern Poland; it employs 800 people and had sales of US$21 mln in 1991.
In accordance with the Privatisation Law (Article 24) up to 20% of shares will be offered to company's management and employees on preferential terms.

For further information on how to obtain the Information Memorandum please contact the advisor acting on behalf of the Ministry of Privatisation:

Central Europe Trust Co. Ltd.
André Mierzwa, Project Director
ul. Parkingowa 1
fax. (48 22) 21 75 72

The deadline for accepting written proposals is 14 October 1992. The Minister of Privatisation reserves the right to cancel this invitation and not to take up negotiations without giving reasons.

CENTRAL EUROPE TRUST

Hayton Hall Hotel
Carlisle, Cumbria

This Country House Hotel is offered for sale as a going concern.

- Freehold Property
- 17 Superior en suite bedrooms
- Separate "themed" restaurant with seating for 100 people
- Function suite for up to 300 people
- 70 acres of lakes and grounds
- AA & RAC 4 star rated

For more details contact The Joint Administrative Receivers, Les Ross and David G Rowlands of Grant Thornton, 1 Stanley Street, Liverpool L1 6AD.
Tel: 051 227 4211 Fax: 051 236 3429

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Major City Centre Hotel

The Joint Administrative Receivers of Regentcellar Limited, P R Copp and A P Supperstone, offer for sale the business and assets of a first class hotel, built in 1986 and located within the city walls of York which is currently managed by Holiday Inns (UK) Limited.

- ♦ 128 bedrooms
- ♦ 2 restaurants and bars
- ♦ Conference, banqueting and car parking facilities
- ♦ Freehold title with vacant possession if required
- ♦ Turnover for year to 30 September 1992 forecast at £2.6m

Jones Lang Wootton
INTERNATIONAL HOTELS

Please contact the Receivers sole agents, Jones Lang Wootton International Hotels, 22 Hanover Square, London W1A 2BN
Tel: 071–493 6040 (International Hotels)
Fax: 071–457 3904

STOY HAYWARD Horwath
A member of Horwath International Accountants and Business Advisers
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071–486 5888.

WILLIAM HILLARY

M40/MIDLANDS
PROFITABLE PAY-AND-PLAY
18-HOLE GOLF COURSE
FOR SALE - FREEHOLD
68,000 ROUNDS - 1991

Details from:
WILLIAM HILLARY & COMPANY, 47 HIGH STREET, SALISBURY SP1 2QF
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

WILLIAM HILLARY

27 HOLES
PAY AND PLAY GOLF
• BERKSHIRE •

Expressions of interest are invited from experienced operators for the 5 year management of The Downshire and Hurst Golf Courses (18 hole, 9 hole, 30 bay driving range & pitch and putt) and a lease of the 2 clubhouses and golf shop

Details from:
WILLIAM HILLARY & COMPANY, 47 HIGH STREET, SALISBURY SP1 2QF
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

BUSINESSES FOR SALE

INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Groups of Assets of "KAROLOS FIX Brewery, Ice and Malt Makers SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of assets and Liabilities" of 1, Skouleniou street, Athens, Greece, in its capacity as Liquidator of "KAROLOS FIX Brewery, Ice and Malt Makers SA" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990.

invites tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auctions (the "Auctions") of one or both of the groups of assets of the Company, described below.

BRIEF INFORMATION ON THE COMPANY: The Company was founded in 1927 and was involved in the production, and trade in connection with brewery, ice and malt making, with the exception of the factory for refrigirators and ice making, the operation of the Company has ceased since 1983, when it was declared under liquidation under Law 2190/1920 and subsequently under Laws 1386/1983 and 1892/1990.

GROUPS OF ASSETS OFFERED FOR SALE (brief description)

1. Factory for Refrigerators and Ice making (1st Auction): such factory is the only production unit of the Company still in operation. It is profitable and the number of personnel amounts to 22. The facilities are located in Piraeus, on a land of 4,075 m² and include 3 buildings.
2. Group of remaining assets (2nd Auction): The rest of the Company's assets, are offered for sale as a single whole and include the Company's trade marks, as well as real property comprising the following (a) one building (ex factory for brewery) on a land of 6,509 m² in Athens, at 53, Syngrou ave (note: the building has been declared under allocation by the Athens Municipality), (b) one building (ex factory for malt and refrigerators) on a land of 10,600 m² in Athens, at 307-309 Patission str (note: a 2,576 m² portion of the land has been declared by the Athens Municipality as being of common use) (c) other lands in Athens (705 m²), in Piraeus (684 m²), in Ioannis (294,150 m²), in Preveza (2,690 m²) and in Heraclion, Crete (846 m²).

OFFERING MEMORANDUMS- FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum for each of the above mentioned groups of assets and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of sale" contained in the respective Offering Memorandums. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 16th October 1992, 13.00 hours to the Athens Notary Public Anna Tsafara, address: 10-12, Ippocratous str., Athens, tel: +30-1-361.95.83 or 364.31.38.
Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, issued in accordance with the draft form of letter of guarantee contained in the respective Offering Memorandums, by a bank legally operating in Greece to be valid until the adjudication. The amounts of the letters of guarantee must be as follows: (a) for the Factory for Refrigerators and Ice making (1st Auction): drs. fifty million (50,000,000); and (b) for the Group of remaining assets (2nd Auction): drs. four hundred million (400,000,000). Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 19th October 1992, at 11.00 hours. Any party having duly submitted a binding offers hall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. Mention is hereby made that special additional terms shall apply in respect of the sale of the Factory for Refrigerators and Ice making (1st Auction), in view of the fact that said production unit is in operation and will be so sold and that the current assets are subject to daily variation. Such special terms are included in the "Terms and Conditions of Sale" contained in the respective Offering memorandum and refer to the consideration of the binding offers in relation to the value or the current assets the transfer of the current assets and a possible arrangement in respect of the variation of the current assets during the period between the evaluation of the offers and the execution of the contract of sale.
9. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
10. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel any of the Auctions or any decision whatsoever in connection with the proceedings and the making of the Auctions. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in any of the Auctions against the liquidator and/or the Creditors for any reason whatsoever.
11. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandums and for any further information please apply to the Liquidator's agent: Mr. Nicolaos Barbaresos, address: 59, Panepistimiou str., ATHENS 105 63, tel.: +30-1-321.90.60. or 321.89.80 or 323.14.84, fax: +30-1-321.79.05.

INVITATION TO TENDER FOR THE HIGHEST BID for the purchase of the Assets of "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou street, Athens, Greece, in its capacity as Liquidator of "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE S.A." a company having its registered office in Patras, Greece (the "Company"), which is presently under the status of article 46a of Law 1892/1990,

invites tenders

for the highest bid by submission on sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was founded in 1988 and was involved in the manufacturing of paper. The Company's operation ceased in 1991 and no personnel are currently employed.

The Company's assets include: (1) Industrial Complex in Patras, comprising buildings of a total space of 32,614 m² and total bulk of 295,751 m³, (2) Industrial complex in Aexion, comprising buildings of a total space of 20,109 m² and total bulk of 200,693 m³, built on a land of 84,841 m², four paper making machines and other mechanical equipment and one plot of land of 363 m² and (3) other assets such as office furniture, equipment, trade marks etc.

OFFERING MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain the Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1 The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2 Binding Offers: For participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 16th October 1992, 13.00 hours, to the Patras Notary Public Mrs Fani Fahouta-Anagnostidou; address: 137, Maizonos str., Patras, tel: +30-612-27.68.08. Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3 Letters of Guarantee: Binding offers must be accompanied by letters of guarantee, for an amount of drs sixty million (60,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4 Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5 Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 19th October 1992, at 11.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6 As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.
7 The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon the execution of the contract of sale.
8 All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9 The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10 This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the liquidator of the Company:
"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1 Skouleniou street, 105 61 Athens, Greece, tel.: +30-1-323.14.84, fax: +30-1-321.79.05 (attn: Mr Peter P. Dracopoulos) or the Liquidator's agent in Patras: Mr. Dimitrios Sinatos, address: 43-45, 28th October str., Patras 26222, tel.: +30-61-422.004.

SOUTH AFRICA - CAPE TOWN
FOR SALE

Air Conditioning/Refrigeration Company. Highly regarded in its industry. Includes modern 1250m² factory building incorporating airconditioned offices and a fully equipped sheet-metal and refrigeration workshop.

Price £500,000.

Please reply to Box A4245
Financial Times, One Southwark Bridge, London SE1 9HL, UK.

QUALITY NURSING HOMES FOR SALE OF INTEREST TO CORPORATE OPERATORS

Two outstanding registered Nursing Homes are confidentially available for sale. (Individual sale considered.)
The Homes, which include one newly opened and registered purpose built unit, have a combined registration of circa 110 (increasing to 115), with only one double room within the registration. Good occupancy levels being maintained, wages overall circa 42%. Optimum for income, when build up period for new-build complete, approx. £1,720,000. Seriously interested principals only apply for further information to Box A4385, Financial Times, One Southwark Bridge, London SE1 9HL.

BCH MANUFACTURING LIMITED
In Administrative Receivership

The joint administrative receivers offer for sale as a going concern either in part or as a whole the business and assets of BCH Manufacturing Limited being a subcontract, light engineering sheet metal fabricator. Principal features are:

- 25,000 sq. ft. leasehold premises in Ardwick, Manchester.
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INVITATION

For the submission of declarations of interest for the purchase of the assets of TEMEA TECHNIKI S.A. – STUDIES, CONSTRUCTIONS AND INSTALLATIONS of Piraeus, Greece.
This is a second invitation to all interested parties for the submission of non-binding, written declarations of interest for the purchase of the assets of TEMEA TECHNIKI S.A. – STUDIES, CONSTRUCTIONS AND INSTALLATIONS of Piraeus, Greece, presently under liquidation.
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For further information please refer to the first publication of this notice in the Financial Times, as mentioned above, and/or to the Liquidator of the Company (attn. Mr Peter P. Dracopoulos, from 1000 to 1200 hrs.).
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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
IN THE MATTER OF:
AMERICAN BIOMATERIALS CORP
A Virginia Corporation
Debtor
Chapter 11 Case No. 87-07316
NOTICE TO STOCKHOLDERS OF AMERICAN BIOMATERIALS CORP. OF LAST DAY FOR FILING PROOFS OF INTERESTS AND TENDERING STOCK CERTIFICATES

TO ALL STOCKHOLDERS OF AMERICAN BIOMATERIALS CORP.

PLEASE TAKE NOTICE, that on December 4 1987, American Biomaterials Corp. (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, in the united States Bankruptcy Court, District of New Jersey ("Bankruptcy Court")
PLEASE TAKE FURTHER NOTICE, that the Bankruptcy Court has entered an Order dated September 30, 1988 confirming Debtor's Amended Plan of Reorganization ("Plan of Reorganization").
PLEASE TAKE FURTHER NOTICE, that the Bankruptcy Court has entered an Order dated August 3, 1992 which sets October 30, 1992 as the last day ("Bar Date") for stockholders to file Proofs of Interest and tender original stock certificates.
PLEASE TAKE FURTHER NOTICE, that Proofs of Interest and original stock certificates must be mailed or otherwise delivered so as to cause actual receipt not later than 5:00 pm on October 30, 1992 to:
Jamieson, Moore, Peskin & Spicer
300 Alexander Park, CN 5275,
Princeton, New Jersey 08543-5276
Attn: A.B.C. Claims Processing.
PLEASE TAKE FURTHER NOTICE, that stockholders who fail to file Proofs of Interest and tender stock certificates by the Bar Date shall be forever barred from asserting such equity interest against the Debtor, and shall not, with respect to any such equity interest, be entitled to be treated as the holder of an Allowed Class 9 Interest under the Plan of Reorganization.
PLEASE TAKE FURTHER NOTICE, that all inquiries and requests for information may be directed to:
Jamieson, Moore, Peskin & Spicer,
300 Alexander Park, CN 5276,
Princeton, New Jersey 08543-5276,
Attn: Andrew S. Wolfman, Esq.,
(609) 452-0808.
Dated: August 3, 1992.
BY ORDER OF THE UNITED STATES BANKRUPTCY COURT
HONOURABLE WILLIAM H. GINDIN
UNITED STATES BANKRUPTCY JUDGE
JAMIESON, MOORE, PESKIN & SPICER
Attorneys for American Biomaterial Corp.
300 Alexander Park, CN5276, Princeton, New Jersey 08543-5276
Attn: Andrew S. Wolfman, Esq.

Notice of Appointment of Administrative Receivers
Abbey Taxis Limited
Registered No: 1016538 Trading name: Abbey Taxis Limited. Trade classification: 28. Name and address of joint administrative receivers: D J Stokes and C J Hughes, Cork Gully, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2082 and 2041. Date of appointment: 10 September 1992. Name of appointor: Midland bank plc.
Date: 14.9.1992

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COMPANY NOTICES

QUEBECOR INC.

(Incorporated under the laws of the Province of Quebec, Canada)
NOTICE OF REDEMPTION TO DEBENTUREHOLDERS
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DUE 1997
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NOTICE IS HEREBY GIVEN pursuant to the provisions of the Trust Indenture dated as of May 14, 1987 between Quebecor Inc. and Fiducie Desjardins Inc. (formerly Fiducie du Québec) as Trustee, that Quebecor Inc. has elected to redeem and pay on October 22, 1992 (the "Redemption Date") all of its outstanding U.S. $60,000,000, 6% Subordinated Convertible Debentures due 1997, Convertible into Class B Subordinate Voting Shares of Quebecor Inc. (the "Debentures") at a Redemption Price equal to 104% of the principal amount of the Debentures together with accrued and unpaid interest on the principal amount of the Debentures. After the redemption no aggregate principal amount of Debentures will remain outstanding. The places of payment are:

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The conversion price is Can $11.4375 per Class B Subordinate Voting Share. The fixed rate of exchange applicable to the exercise of the conversion right is $1.3076 per U.S. $1.00. The date on which the right to convert the Debentures called for redemption will terminate is at the close of business on October 21, 1992. The places where the Debentures may be surrendered for conversion are listed above. Payment of the Redemption Price will be made to the holders of Debentures upon presentation and surrender of such Debentures together with, in the case of Coupon Debentures, all unmatured coupons.

AND NOTICE IS HEREBY GIVEN THAT interest shall cease to accrue upon the Debentures so called for redemption from and after the Redemption Date, and coupons for interest to accrue after the Redemption Date upon the said Debentures shall become null and void.

QUEBECOR INC.
Montreal, September 22, 1992

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COMPANY NOTICES

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Decorative follower of cubism

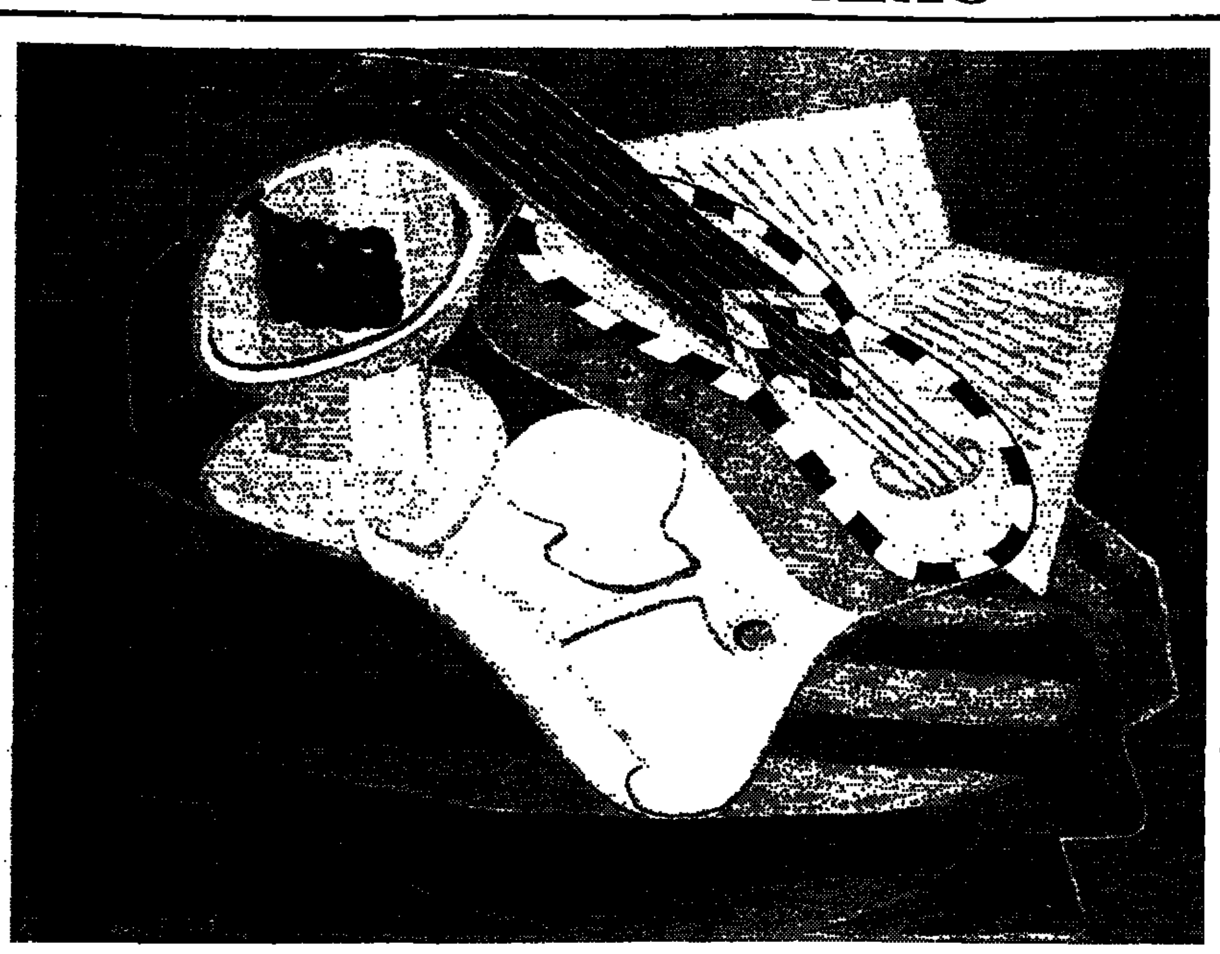
William Packer on Juan Gris at the Whitechapel

The Spanish painter, Juan Gris, died in of 1927 at the age of 40, was mourned by, among others, his compatriot and friend of nearly 20 years, Picasso, and his dealer, Henry Kahnweiler. The young artist had arrived in Paris at the age of 20, to be introduced almost at once to the inner circle of the Parisian avant-garde, at the centre of which sat Picasso, himself barely 26 and already a hero, the blue and rose periods long past, the proto-cubism of "Les Demoiselles d'Avignon" behind him and the great cubist experiment about to begin.

Gris was clearly no such prodigy as Picasso, but he showed from the start a certain technical self-assurance and a precocious sophistication in his work. Close as he was to Picasso, however, who for a while occupied the studio next-door in the *Bateau Lavoir*, he took some time to assimilate the currency of what was going on in Paris in general, and in particular to come to terms with the high-cubist example being proffered just under his nose.

His own first tentative essays upon cubist principles, with the object but modestly refracted and fragmented, date only from 1910 and 1911, following a series of wonderfully dramatic and monumental still-life drawings in the old, grand, traditional manner. Thereafter, through 1911 and 1912, his development into cubism was as rapid as it was assured, and his contract with Kahnweiler soon followed. Yet certain questions remain, for we find little sign in the work of Gris' own personal resolution of the formal and imaginative problems posed so profoundly by Braque and Picasso, even before 1910. The sense is of the conscious adoption of a style, and a decorative style at that.

It would be unfair to suggest that Gris was unique in this respect, for Paris was full of young cubist acolytes, some good, rather more of them not so good. Gris was certainly among the best of them and was, for the next 10 years or so, as true a cubist as any. His active participation at such a level allows him some real significance in the history of modern art, even a moment or two of actual influence. Yet the evidence of the work itself is that, good as he was, Gris remained as he began, an artist essentially of the second rank, never a leader but always a follower.


'The Guitar with inlaying', 1925, by Juan Gris

The temptation with such a figure, given the circumstances of a manifest talent, famous friends, early success and a premature death, is to search too assiduously for significance and originality, to fall for the myth. To do so here, however, is to be as unfair to Gris. For to be a follower at such a level is no mean thing, and for this work to be remembered a real achievement.

This fine exhibition, beautifully chosen and arranged, gives us the perfect opportunity for just such a fair reappraisal. What it shows us of Gris, in its gentle way, is that his qualities were a function of his limitations. Decorative has become the most delicate of perjoratives, loaded with condescension and damnable faint praise, yet it need not be so. If Gris was indeed a decorative artist, he was so in the most positive way. The thought occurs that at that early moment when he saw cubism in terms of style, and exploited so energetically the opportunity it presented, he may even have been a little ahead of the game. Did he offer a lead to Braque and Picasso in modifying the rigours of analytical cubism into the more open, playful disciplines of synthetic cubism, from which all the devices of collage, dada, constructivism and surrealism were so soon to follow?

The strong, monumental composition; the clearly stated image; the flat surface and the flattened picture-plane; the clean colour – all are virtues of the essentially decorative and graphic artist, by which is meant no slight but only a necessary distinction. What we do not get is the hesitation and rethinking on the canvas itself, the active engagement in the handling the paint and its resolution into image that is the mark of the artist absorbed and unselfconscious. Gris, the stylist, looks ever about him, and in his work throughout. In Gris the eclectic, we pick up hints of his more public preoccupations. Now it is Picasso, most obviously, and Braque; now Chagall and Metzinger; and yet we look on the surface to find his paint always less particular than theirs, the effect brighter, simpler, the apparent complexity of the image often flattering to deceive. The image, the appearance, is everything, though to say as much seems too harsh.

The 1920s, however, do indeed see a profound falling off, marked not so much by a change in approach as by a clear loss of confidence. Where, at his best in the mid 1910s, his reworkings of the cubist formulae of fruit and bottles, cups and glasses, cigars, guitars and all the rest of it, were reworked with a real confidence and panache, now it seems he had declined into nothing more than pale imitation and pastiche – at first of the clowns and pierrots of Picasso, last of all of Braque's mid 1920s table-tops and buffets. The last years are very sad.

Juan Gris: Whitechapel Art Gallery until November 29, then on to the Staatsgalerie Stuttgart, and the Kroller-Muller, Otterlo; organised by the Whitechapel in association with the *European Arts Festival, with support* from the Baring Foundation. 'Juan Gris', £35, has been published by Yale University Press to coincide with the exhibition

Weekend concerts

New Beginnings

Kent Nagano, chief conductor-designate of the Hallé Orchestra, has been touring the country with his new orchestra. On Sunday they arrived home at the Free Trade Hall, Manchester, for a concert (broadcast on Radio 3) which was terrifically exhilarating not just in itself but for what it portends.

It was an ambitious programme – works by Messiaen and John Adams (composers with whose music the young American conductor has become closely associated) which had been given their British premieres earlier on the tour, plus a lightly glittering account of the complete Stravinsky *Firebird* score. All the pieces were executed with exactly the cool confidence and flair that have been missing in the portfolio of Hallé attributes recently. Nagano, as he told radio listeners in an interval talk, has discerned a pressing need to re-create the quality of imagination in this orchestra's programming; it is to this end that his opening series, under the sub-title "New Beginnings", has been directed.

The first half, its two offerings, each an attractive contrast with the other, certainly proved the point. *Un Sourire* (1989) is the penultimate composition to have been completed before Messiaen's death earlier this year. It is a tiny (5-minute) marvel of "late-music" economy and radiance. Two strands of Messiaenic thought, the hymnally lyrical and the birdsong-percussive, are set in block alternation, then brought to repose.

Adams, composer of *Nixon in China* and *The Death of Klinghoffer*, approaches his big projects with big confidence; the huge orchestra for *Eldorado* (1991), including two synthesizers, wastes no colour-device. This two-movement symphony – self-proclaimed rather than immediately evident as such – treats with disquieted irony, as well as picturesqueness, two aspects of West Coast existence.

The movements are two different sound-landscapes: the first, called "The Dream of Gold", builds up baleful neo-Shostakovich sonorities; the second, "Soledades", gradually fills its empty space with tingling, desert-inspired patterns. Adams, now firmly into his post-minimalist phase, layers his much-repeated rhythmic and colouristic figures in the manner that appears to draw on Baroque and various 20th-century (including rock) modes of articulation equally: his musical language proceeds in cells of activity forming foundation pillars to support spans of lyrical line.

The idiom is unfailingly appealing, easy to absorb. What troubles me – here as in the past – is the arrival of climactic gestures produced less out of the heat of argument than through mechanical assembly. *Eldorado* is a superb concatenation of appliqué effects announcing itself up as something altogether weightier.

*

Meanwhile, last Thursday and Friday in the Festival Hall there were also New Beginnings – of a rather less confidence-inducing kind. The London Philharmonic Orchestra celebrated its newly achieved position as resident orchestra of the London South Bank Centre with two concerts of triple-decker form and three-hour length. If the aim of their programme was to suggest the different kinds of promise for the future that the orchestra now holds under its chief conductor, Franz Welser-Möst, its damp-squib impact must already be raising anxious eyebrows. To put it bluntly, the concert was either absurdly ill-planned or all too deftly designed to demonstrate Welser-Möst's interpretative immaturity.

The centrepiece, the Schumann Second Symphony, received a glaring performance, loveless, lumpy and driven. Unsparkling, bandmasterly accounts of Prokofiev's *Three Oranges* Suite and (as encore) the *Fledermaus* Overture sank spirits ever lower. The message, alas, seems to be that a highly talented young conductor learning on the job is not well placed to lead an orchestra many people still consider London's top-class ensemble into its much-vaunted New Era.

Max Loppert

LPO concerts sponsored by the Bernerd Foundation

Wagner/London Classical Players

Wagnerians have been left parched and thirsty by our major opera companies in the South-East, so it was no surprise that the Festival Hall was close to full on Sunday night. Giuseppe Sinopoli was conducting the Philharmonia in the first act of *Die Walküre*, with an excellent second-rank principal pair, and the usual bleeding chunks from *Götterdämmerung*, with the "Immolation" to close.

Without penetrating insights, the performances were sound enough. Neither the Siegmund nor his Sieglinde wielded a particularly beautiful instrument – Robert Schunk's well-schooled tenor is on the dry side (unfettered rapture is not his line), and in low-lying recitative Sabine Hass's pitch was rough and approximate; but both of them offered clear, crunchy diction and an exact appreciation of their words, and both voices found their best lusty focus in the upper register where it matters most.

The brute Hunding was the imposing, ever-reliable bass Kurt Rydl. At the crucial moments, there were honest thrills. Sinopoli obviously knows the score very well, and did nothing eccentric – though the *Walküre* act passed rudely from some dubiously slow tempi in the first scenes, without sufficiently heartfelt playing to justify them, to a manically up-tempo *Lenzlied* and a coda like tearaway Rossini.

As usual with live, on-the-spot Sinopoli, when he doesn't have recording engineers to sort things out (or a Bayreuth band who can do that unaided), the orchestral tuttis were ill-balanced. In *ff* passages he again let *everybody* play at an unmitigated *ff*, and vital thematic stuff was submerged. Some eight years ago, I observed sourly that his left hand seems to enjoy no functional independence from his right, which beats time assiduously while his left merely mirrors it; that is still true. He owes it to himself, and his repertoire, to acquire a better technique.

Programme-books at the Festival Hall nowadays are never cheap. The Philharmonia ones promised the complete Wagner texts but stopped short of Brünnhilde's last thirty-odd lines, the climax of the "Immolation" (which Miss Hass delivered with full-voiced power and dignity), along with the stage-directions which the late William Mann's recycled programme-notes assured us "describe with perfect accuracy what happens in the music, but is almost never to be seen on the stage". Nobody apologised or explained, nor offered refunds. The concerts was sponsored by the Automotive & Financial Group

David Murray

The bulk of Roger Norrington's programme with his orchestra on Sunday was Brahms – the *Tragic* Overture and the Second Symphony, played on instruments of the late 19th century. But there was also Beethoven's Second Symphony, performed on the same Brahmsian scale, filtering one composer through the sound world of one of his heirs.

It is difficult to distinguish genuine music exploration from expediency in such a venture. Presenting a Beethoven symphony as Brahms would have heard it might be just a handy novelty that enables the London Classical Players to mix their programmes and still retain their period credibility, but it could be a valid attempt to widen the horizons of period performance, to demonstrate how orchestral textures are just as important a component of music history has harmony or form.

The reality is probably a mixture of practicality and curiousity, for Beethoven played by Brahms's orchestra sounds distinctly odd now – neither lean, early 19th-century fish, nor sleek, overweight 20th-century fowl – muscular in its figuration, yet a shade bombastic in its wind. Norrington's performance was certainly couched in his Beethovenian terms, propelled by snapping rhythms, sharp sforzandi and hard-edged wind solos. Yet it led on naturally from the *Tragic* Overture, which became a much punchier and more angry piece than modern instruments construe it, so that one started to believe in Norrington declared intention to make Brahms "sparkle".

The sound was based upon modest string forces with the double basses arrayed along the back of the wind, and double woodwind. It managed to combine sinewy clarity with enough expressive weight and flexibility to make the great paragraphs of the slow movement tell. It was all welded together by Norrington with irrepressible vigour and panache, crowning the symphony with exuberance and affirmation; the corporate sense of discovery that he generates in his players gave every section of the orchestra a sense of separate identity and purpose.

Andrew Clements

Opera Northern Ireland/**Richard Fairman**

Rigoletto and Faust

Amid a riot of noise and colour the auditorium was filled with a throng of masked revellers. They were the guests at the masquerade, one with horns, several top-hatted, a bare-chested cardinal and a few in drag among them, all heading for what was evidently promising to be a night of uninhibited orgiastic excess.

This was the opening of Opera Northern Ireland's new production of *Rigoletto*. In the last few years the company has been winning a reputation for capturing some of the younger operatic talent. The risk has paid off with a run of shows which have been innovative and eye-catching, successes that have increasingly gone towards a strong company profile. That sense of excitement is in the air again this season.

The new *Rigoletto* has been targetted with a keen eye for the company's adventurous style. Sometimes there were fears that the producer, Tim Coleman, would go too far, but in general he knows when to pull back from the brink and the theatrical expertise on display was considerable: he created real people; the series of duets which is at the heart of this opera put before us a succession of moving encounters.

The relationship between Rigoletto and Gilda could hardly have been more tender, the pain they shared after her abduction as clear to see as an open wound. Kimm Julian is arguably too tall and commanding a figure to make an ideal Rigoletto, but the inexperienced Gilda was nicely caught by Susannah Waters.

In this production Peter Riberi had no trouble putting across the arrogance of the Duke, although his tenor is on the tense side for Verdi. After the seduction of Gilda he emerged from the shower, the apogée of the narcissistic man in the all-male club of the officers' changing room – one scene where the producer had overdone it. Rachel Hallawell's notably well-Sung Maddalena and Alan Ewing's *Sparafucile* were more restrained.

With Kenneth Montgomery giving the orchestra a decisive lead, the opera built to a powerful conclusion. The scene of Gilda's midnight murder, strikingly designed by Lez Brotherston and lit by Paul Pyant, was theatre at its most compelling: the thunderstorm roared from the pit, while Sparafucile stood in the moonlight, refreshing himself in the rain and washing the blood from his body. Chilling stuff.

The other opera was a revival of *Faust*. This amounts to a less daring vision of Gounod's opera, but the production never muffs any of the difficult moments and has its own touches of originality. The steeples of a medieval German town loom over a market-place and the drama is enacted there, watched by the townsfolk. Using the spoken dialogue was also a bold step.

The outstanding feature here was the singing of Maureen O'Flynn as Marguerite, whose beautiful soprano with its effortless top was a constant pleasure. Claude Corbeil was the sensitive tenor, who has the makings of a fine Faust if only he can master and his nerves. Guy Belanger made a stylish Méphistophélès, for whom Enid Hartle's devilishly naughty Marthe looked more than a match. Karl Morgan Daymond played a nicely insolent Valentin, with a good top to the voice.


Susannah Waters and Kimm Julian in 'Rigoletto'

The high standard of the Ulster Orchestra's playing, this time under Stephen Barlow, was again an asset; the chorus is a weaker feature. On this year's showing Opera Northern Ireland is on the right track and its aspirations deserve wholehearted encouragement.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra in Mahler's Seventh Symphony. Tomorrow: song recital by Derek Lee Ragin. Fri: Walter Weller conducts the Netherlands Radio Philharmonic Orchestra. Sat afternoon: Alberto Zedda conducts Donizetti's Maria Stuarda. Sat evening: André Previn conducts the Vienna Philharmonic. Sun: Yuri Bashmet (6718 345)
Muziektheater 20.15 Dutch National Ballet in choreographies by Maguy Marin, Hans van Manen and Krzysztof Pastor, also Thurs and Fri. Tomorrow and Sat: Samson et Dalila (6255 455)
FLANDERS FESTIVAL
Tonight's concert in the **Palais des Beaux Arts** is given by the Swedish Radio Symphony Orchestra conducted by Esa-Pekka Salonen, with works by Beethoven, Weill and Stravinsky. Tomorrow: Wolfgang Sawallisch conducts the Bavarian Radio Symphony Orchestra *(repeated on Thurs in Ghent)*. Sat: piano recital by Murray Perahia. Sun: André Previn conducts the Vienna Philharmonic (640 1525)
MONNAIE
Luc Bondy's acclaimed Salzburg Festival production of Salome can be seen this week and next at the **Théâtre Royal de la Monnaie**, conducted by Antonio Pappano. Catherine Malfitano sings the title role tonight, followed by Karen Huffstodt on Thurs and Sat. Jose van Dam is Jochanaan (219 6341)
OTHER EVENTS
On Fri at the **Palais des Beaux Arts**, Ronald Zollman conducts the Belgian National Orchestra in works by Weber, Rakhmaninov and Dvorak, with an alternative programme on Sun afternoon (507 8200). The **Théâtre National** has a staging of Dante's Inferno *in the Petite Salle. The first new* production in the **Grande Salle** is Corneille's La Place Royale, opening next Fri (217 0303)

■ FRANKFURT

ALTE OPER
The final week of the Frankfurt Festival includes a Bartok programme conducted by Eliahu Inbal *tomorrow, Thurs and Fri.* Alfred Brendel gives a Beethoven piano recital on Sun. Tomorrow in the Mozart Saal, Dawn Upshaw joins the Arditti Quartet for a performance of Berg's Lyric Suite, and Mitsuko Shirai gives a song recital on Fri (1340 400)
OPERA HOUSE
The new season opens on Sat *with a programme of William* Forsythe choreographies, followed on Sun by Il barbiere di Siviglia (236061)

■ LONDON

OPERA
● Anne Sofie von Otter and Amanda Roocroft star in a revival of Pier Luigi Pizzi's Royal Opera staging of I Capuleti e I Montecchi tonight at **Covent Garden** (seven performances till Oct 14). Tomorrow: Hermann Prey Lieder recital. Thurs and Sat: Tosca, with Elizabeth Holleque, Richard Margison and Silvano Carroli. Next Mon: Fidelio (071-240 1066).
● Josephine Barstow is Leonora in Nicholas Hytner's new ENO production of La forza del destino at the **Coliseum** *tonight and Fri. The repertory* also includes Rigoletto tomorrow, Sat and next Mon, and Ariadne auf Naxos on Thurs (071-836 3161)
● Glyndebourne Touring Opera opens a month-long season at **Sadler's Wells** on Thurs. The repertory consists of Katya Kabanova, The Rake's Progress and Le nozze di Figaro (071-278 8916)
CONCERTS
● This week's programme at the **Royal Festival Hall** begins with the London Philharmonic tonight and tomorrow conducted by Zubin Mehta, with Pinchas Zukerman soloist in Bruch's Violin Concerto. Evgeny Svetlanov conducts the Philharmonia in Mahler's Sixth *Symphony on Thurs, and Yuri* Temirkanov conducts the RPO on Fri, with Barbara Hendricks. Sat: Svetlanov conducts The Dream of Gerontius. Sun and next Wed: Andrew Davis conducts the BBCSO (071-928 8800)
● Martin Litton's Red Hot Peppers play the music of Jelly Roll Morton tomorrow at **Queen Elizabeth Hall**. Zoltan Kocsis gives a piano recital on Sun afternoon (071-928 8800)
● Tomasz Bugaj conducts the Docklands Sinfonietta tomorrow at the **Barbican** in works by Prokofiev, Lutoslawski and Rakhmaninov. Thurs: opening concert of LSO season. Sat: Pinchas Zukerman recital (071-638 8891)

■ NEW YORK

JAZZ/CABARET
Blue Note Max Roach, the drummer recognised internationally as a pioneer in the development of American music, brings his Double Quartet to the Blue Note this week for a six-night, 14-show engagement pairing his regular quartet with members of the Uptown String Quartet. First set at 21.00, daily till Sun. Next week: Bill Evans *Quartet, plus John Scofield* Quartet. Oct 6-11: Chaka Khan. Oct 13-18: Nancy Wilson (131 West 3rd St, 475 8592)
Michael's Pub Mel Tormé is in the midst of a month-long engagement. Backed by a 16-piece band, he dips into the American songbook, including a Duke Ellington salute. Tues *to Sat at 21.15 and 23.15 (211* East 55th St, 758 2272)
Algonquin Hotel The Oak Room is currently home to Susannah McCorkle, a fine pop-jazz singer who has been known to root around in the archives for lost or forgotten numbers. Tues to Sat at 21.30 (59 West 44th St, 840 6800)

■ ROTTERDAM

De Doelen 20.15 Yoel Levi conducts Rotterdam Philharmonic Orchestra in works by Haydn and Sibelius, also tomorrow and Thurs (413 2490)

■ WASHINGTON

CONCERTS/DANCE
● Mstislav Rostropovich *conducts tonight's orchestral* concert featuring works by Ginastera, Villa Lobos, Copland and others. Thurs, Fri, Sat and next Tues: Rostropovich conducts a Ravel and Tchaikovsky programme, with soloists Horacio Gutierrez, Antonio Meneses and Alberto Lysy (**Kennedy Center Concert Hall** 467 4600)
● National Ballet of Canada gives a week of performances *from Sep 29 to Oct 3* (**Kennedy Center Opera House** 467 4600)
THEATRE
● Troilus and Cressida: a Shakespeare Theater production directed by Bill Alexander. Till Oct 23 (**Lansburgh** 393 2700)
● Bailegangaire: a Thomas Murphy play about an ageing Irish storyteller who reconciles *her battling granddaughters* through her stories. Opens tomorrow, runs till Oct 25 (**Washington Stage Guild** 529 2084)
● Wuthering Heights: a new musical based on the Bronte novel, with music and lyrics by Edward Trach. Till Oct 11 (**Olney Theater** 301-924 3400)
JAZZ/CABARET
Blues Alley Jazz Supperclub This week's guest artist is pianist Monty Alexander, daily till Fri. Showtimes at 20.00 and 22.00 (1073 Wisconsin Ave, in the alley, 337 4141)

■ ZURICH

Opernhaus 19.30 Nello Santi conducts Francesca Zambello's new production of Bellini's Il Pirata, with Mara Zampieri, also *Thurs and Sun afternoon.* Tomorrow: Rigoletto. Fri and Sun evening: Don Giovanni with William Shimell, Ann Murray and Cecilia Bartoli. Sat: Il barbiere di Siviglia (262 0909)
Tonhalle 19.30 Yuri Ahronovich conducts the Tonhalle Orchestra in works by Tchaikovsky and Ravel, with piano soloist Bruno Leonardo Gelber. Repeated tomorrow and Thurs. Next Tues *and Wed: Georg Solti conducts* works by Haydn and Bruckner (206 3434)
Schauspielhaus 20.00 Shakespeare's A Midsummer Night's Dream, directed by Peter Wood. Daily till Sat, and in repertory thereafter with Thomas Bernhard's play Before Retirement (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly in depth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday September 22 1992

UK policy after the debacle

A DEPRESSING feature of the economic prospects before the UK is that both the people and the institutions responsible for the ERM *débâcle* are apparently to remain in charge. Little less disturbing is the clamour for dramatically lower interest rates. The UK looks set to embark on another "go" phase in the series of stop-go cycles that mark its decline. Yet there are alternatives. The question is whether the country is too frivolous to choose them.

Judged by their pronouncements after the pound's exit from the ERM, neither the prime minister nor the chancellor fully understood what they were engaged in. To complain of "fault lines" in the ERM as if nobody had ever noticed that the Bundesbank is the pivotal central bank and Germany the main player is peculiar. The Bundesbank's role was the justification for entering the system. Nor can the UK complain persuasively about the unforeseen consequences of German unification, since it was the only member, apart from Portugal, to enter after that event.

Still less reasonable are the government's comments about the unforeseeable nature of last week's events. The tendency for semi-fixed exchange rate systems to generate overwhelming runs on weak currencies is hardly news. Has the Treasury forgotten what happened in 1931?

Nor can blame for the catastrophe be cast on the Bundesbank's whispers against sterling. With little prospect of a domestic recovery, it was the credibility of a commitment to do whatever was necessary to defend sterling – not, as officials insisted, the chance of devaluation – that was seen to be zero.

Limited confidence

Strange though it may now seem, the prime minister was recently musing about when sterling might displace the D-Mark as the ERM's anchor. Now sterling is plummeting fast, to DM2.55 by last night. But wisely, in view of the damage already done to the UK's relations with Germany, the government does not intend an early return to the ERM. As the chancellor of the exchequer has pointed out, this means that "judgment has to be applied". Unfortunately, there can now be limited confidence in that judgment.

Mr Lamont proposes to look at a number of financial indicators, including narrow money, broad money, asset prices including housing and the sterling exchange rate. Provided emphasis is put on broad money and the exchange rate, this list is sensible enough. The problem is that such a list will allow the chancellor to justify doing whatever he may find convenient at the time.

Open debate

The more judgment, rather than rules, are at the heart of policy, the more important become improved institutional arrangements. The traditional British policy-making structure – ill-suited, it now appears, to a policy as simple as ERM membership – is completely inappropriate when judgment must be brought to bear. The combination of official secrecy, unchallenged Treasury supremacy and complete political control over economic policy has failed again and again. Who can doubt that it will fail once more?

What is needed, instead, is open debate of the options, an independent council of economic advisers, a reduction in the powers of the Treasury and an attempt to depoliticise monetary policy. What is needed, in short, is the arrangements Germany has enjoyed since the second world war.

Since policy can never be divorced from politics, such changes are no panacea. The UK may well prove to be irretrievably addicted to inflation. But if the country is about to choose inflation once more, let it at least make that choice openly.

What Mr Lamont chooses to do in the next few weeks is much less important than such reform. But the UK does have a good opportunity for long term growth based, first and foremost, on the expansion of the supply of traded goods. Unlike in the much more closed US economy, consumer demand does not have to be revived at all costs. Since the UK suffers from more deeply entrenched inflationary expectations than does the US, the government should also avoid giving the impression that it wants yet another dash for growth. But who now believes that this government will either choose or stick to the right policy?

Good omens from Poland

While western Europe has been holding its breath over the future of the Maastricht treaty, a document based on concepts worked out before the collapse of communism, significant developments have been taking place beyond the eastern borders of Germany.

Some are negative or ambivalent. The conflicts in former Yugoslavia have become more intractable. Czechs and Slovaks have pressed ahead with a divorce which will probably leave Slovakia in growing economic and political difficulties. The rise of Slovak nationalism, coupled with re-awakened concern for the fate of ethnic Hungarians in Romania and the border lands of former Yugoslavia, is causing concern in Budapest. Hungary's own progress towards market democracy has been marred by signs of ethnic intolerance.

But it is in Poland, the biggest and most populous of the three central European states aiming for full European Community membership by the start of the 21st century, where the last few months have seen the biggest changes. Happily, they have been mostly changes for the good.

For much of this year Poland seemed paralysed by political infighting between President Lech Walesa, the government and the fractious parliament. This issued from last October's general elections, fought on a flawed proportional representation system which still needs reform. The main symbol of the government's failure to get to grips with Poland's problems was a soaring budget deficit.

Impressive coalition

So a degree of scepticism was in order when Mr Walesa asked the previously little known Ms Hanna Suchochka to form a government three months ago. But Ms Suchochka has succeeded in putting together an impressive coalition which contains a former prime minister and several experienced senior cabinet ministers. Ignoring a rash of strikes in the coal and copper mines and the *FSM-Fiat* car plant, they spent the summer holiday working out their political and economic strategy. It is designed to re-activate the stalled mass privatisation programme, get public spending under control and reassure both Polish and foreign investors and the International Monetary Fund.

An IMF team had the first chance to assess the government and its programme earlier this month. It left Warsaw impressed by the performance of the new ministers, encouraged by evidence of an export-led recovery in industrial output and willing to be persuaded that the government was capable of cutting the budget deficit from an expected 8.5 per cent of GNP this year to 5.5 per cent next.

Enterprise plan

To achieve this the government plans to cut spending on social programmes, mainly pensions and unemployment pay, while raising revenue through reforms to the tax system and better collection, especially from the private sector which now accounts for over half the economy.

It will not be easy. The success of the strategy depends heavily on the labour minister, Mr Jacek Kuron. He is the main author of the government's "enterprise plan" which aims to persuade workers to join in the task of privatising and improving the management of state-owned enterprises rather than strike for wage rises unmatched by higher productivity.

Warsaw has been able to achieve export-led growth through a combination of lower real wages and a managed devaluation of the zloty. Consolidating these gains requires labour co-operation, more foreign investment and continuing access to prosperous EC markets.

Prospects for the former should improve when Poland and the IMF sign a new loan agreement, possibly next month. But what Poland and the other countries of east and central Europe also need is a reappraisal of the European idea which would allow them to participate in framing an enlarged community.

Such a community, in which Germany's size and power would be counter-balanced on the east as well as the west, would not only benefit the east. The participation of enthusiastic Europeans from the east could create a better framework for dealing with the resurgence of nationalist feeling all over Europe.

Resolving the problems which are confronting the EC will take more than a summit meeting, writes **Lionel Barber**

Europe's tactical time-out

Now comes the hard part. The razor-thin French endorsement of the Maastricht treaty has given a temporary reprieve to the European Community's plans for political and monetary union; but the political credibility and economic feasibility of the enterprise remain in doubt.

Unity was the theme echoing throughout European capitals yesterday. The first test of resolve will come next month when the heads of the 12 EC members states hold a summit in London to discuss what one EC official described yesterday as "Europe's foggy future".

The question is whether the Community can regain its equilibrium after the stunning political and economic reverses of recent weeks. The onslaught in the money markets which forced sterling's bloody retreat from the exchange rate mechanism of the European Monetary System was bad enough; then came a public slanging match between the UK and German governments over Britain's charges that the Bundesbank had effectively sabotaged its economic policy by talking down sterling.

Amid this atmosphere of mistrust and recrimination, the Community's member states face a second daunting challenge: how to recapture the confidence of their own people, many of whom remain deeply ambivalent about the goal of European Union set out in the Maastricht treaty.

This is especially true of Britain, whose on-off relationship with the Community has been dogged by mutual misunderstanding. Now, at the very moment the EC faces its most serious political challenge since the oil crisis in the 1970s, perfidious Albion holds the rotating six-month-long EC presidency.

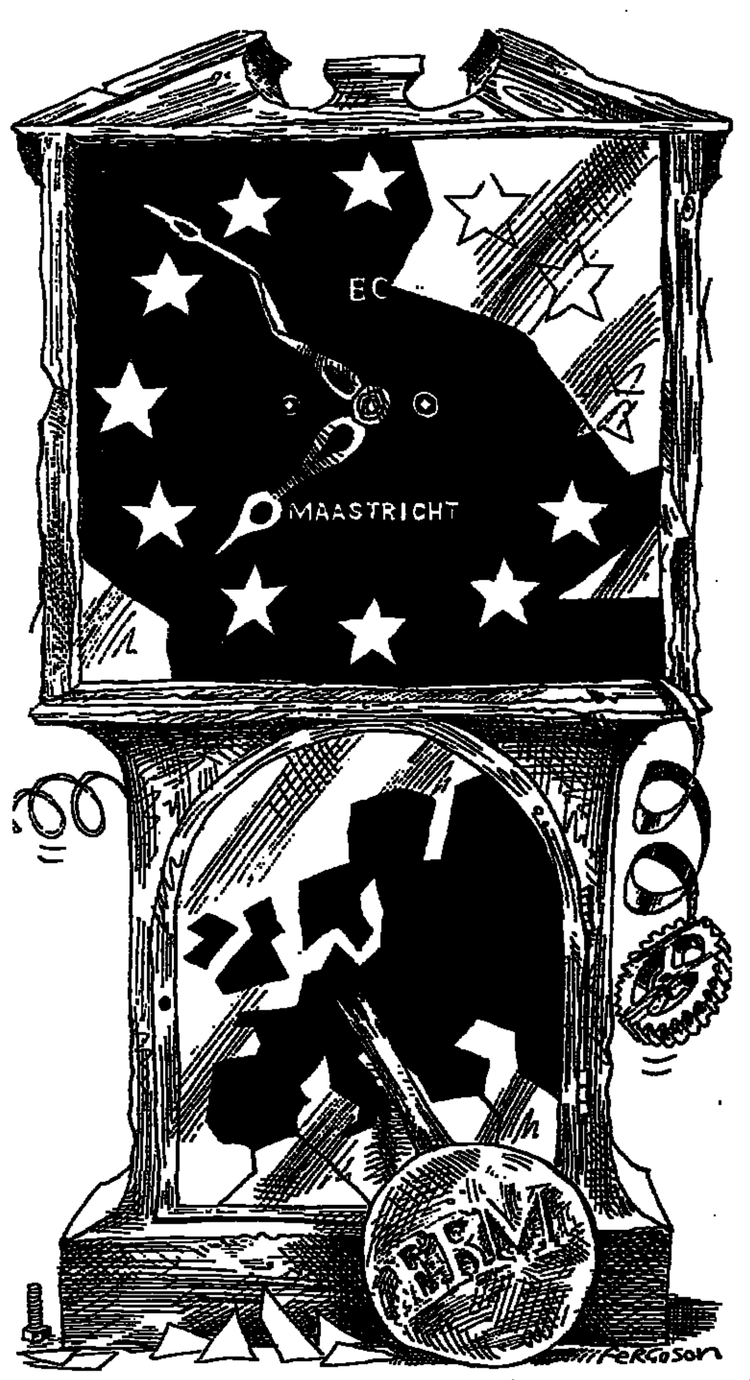
Whether Mr John Major, the UK prime minister, can recover from the humiliating collapse of his Euro-centric economic policy is, therefore, not only of interest in London. Whether he can stick to his pledge to keep Britain "at the heart of Europe" directly concerns the heads of government in the remaining 11 EC states.

In the immediate aftermath of the French referendum, there are two principal issues to be addressed by the Community: the functioning of the ERM, and the longer-term commitment to political and monetary union which all 12 EC member states signed on to last December.

The tidal wave of speculation which hit the ERM last week led not only to sterling's withdrawal, but also to the suspension of the Italian lira and a 5 per cent devaluation of the Spanish peseta. The currency realignment sparked immediate fears of a "two-speed" Europe, with the weaker currencies falling behind a stronger D-Mark bloc including France and Benelux.

What is often overlooked is that the Maastricht treaty specifically holds out the prospect of a Europe *à deux vitesses*, says Mr Peter Ludlow, director of the Centre for European Policy Studies in Brussels. The treaty's provisions not only include an opt-out clause for Britain, but also strict economic convergence criteria, under which qualified candidates should move to locked exchange rates, at the earliest by 1997 and supposedly by 1999 at the latest.

Mr Ludlow says the recent turmoil in the currency markets raises the prospect of a joint Franco-German initiative to accelerate moves toward fixed exchange rates among the "hard-core" currencies, with a public declaration that other European countries such as Italy could join in the future.



The first clues will come today when Chancellor Kohl holds talks with President Mitterrand in Paris. Though the franc is still under pressure, the impetus for a high-profile Franco-German declaration, which risked being seen as actively encouraging the creation of a two-speed Europe, may have receded. More likely, the two leaders will focus on the prospects for enlarging the Community and making it more accountable – partly in an effort to bolster Mr Major's position.

Yet the recent shift in public opinion in Germany against abandonment of the D-Mark – the symbol of post-second world war stability and prosperity in Germany – may make it more difficult for Chancellor Kohl to offer much more to his European colleagues.

Already, there are calls for a referendum on Maastricht in Germany, and both the Bundestag and Bundesrat may reserve a "right of approval" before allowing Germany to move to fixed exchange rates, as laid down in stage three of Emu.

The cloudy prospect for Emu is made all the murkier by the British government's demand for ERM reform summed up by Norman Lamont, the chancellor of the exchequer. Last Friday, Mr Lamont declared that he wanted to be "satisfied that German policy that has produced many of the tensions in the ERM is going to have some changes", leading to a more stable environment. In addition, he wants to correct structural "fault-lines" within the ERM, including better co-ordination and intervention in the money markets.

These are the minimum conditions which the British intend to put forward before re-entering the ERM. The difficulty is that there is substantial mistrust about British motives which, in turn, risks severely reducing British influence in the Maastricht debate.

First, EC diplomats are scathing about Britain's efforts to bully the German government and the Bundesbank into reducing German interest rates. Mr Lamont is singled out for criticism. First he used the EC presidency to mobilise 11 member states against the Germans at the recent finance ministers' meeting in Bath; then he presented the outcome as a victory for Britain. "This approach to Community matters is damaging," says a senior EC official, "and it was bound to backfire."

Mr Lamont's earlier predicament – an overvalued currency and crippling high real interest rates in the middle of a recession – was, nevertheless viewed with sympathy in Brussels. Some adjustment had to be made. But many agree with Sir Roy Denman, former EC ambassador to the US, who says ERM membership was a short-term ploy to secure a reduction in interest rates, as well as a long-term commitment by Mr Major to Europe. "Britain entered the ERM for the wrong reasons, at the wrong rate, and at the wrong time," he says.

The challenge for the British is to convince their partners that they are not intent on playing a spoiling game. This applies not just to the ERM, but also to the broader debate about the future of the Community and the fate of Maastricht. In this respect, the issue of how to finesse the problems raised by the Danish rejection of Maastricht in last June's referendum is paramount.

Mr Major has already declared that he will not put the Maastricht treaty before parliament until the Danish government presents a clear plan for resolving this dilemma. In Brussels, mistrust of Mr Major's motives is rife. "It looks as if he is deliberately dragging his feet because his own party is split on Maastricht," said one EC official on Sunday night.

Another Commission official said British delays were certain to encourage the Danes to hold back too. "We can solve one problem," said this official, "but we can't solve a British and a Danish problem at the same time."

Mr Major is understood to be contemplating a vote by the House of Commons on the "principle" of Maastricht sometime before the Edinburgh summit. This would have the advantage of steadying frayed nerves, including his own, while preparing for a month-long vote at committee stage sometime next year, perhaps around the same time as a second Danish referendum. All this assumes that the Danes will come up with reservations on Maastricht which are negotiable in the eyes of the rest of the Community. A protocol, not included in the treaty, which stated that Danes would not serve in a common European army is viewed as acceptable – but a renegotiation of Maastricht is not. In Brussels, the hope is that the Danes will outline their thoughts at the London summit next month. Again the tension will be between the desire of members such as France, Spain and Italy to press ahead with ratification and those such as Britain urging a "go-slow" approach. "The timing is extremely delicate," says a senior EC official.

Behind the Danish dilemma lie serious questions about the merits of Maastricht and the way the EC does business.

The national debate in France was sobering for the entire Community. For the first time since the Treaty of Rome, the French – the driving force behind European integration – held a debate on the future of Europe, a debate conducted on national terms.

The result was that 58 per cent of those who voted No to Maastricht cited fears about the loss of national sovereignty; 57 per cent voiced opposition to technocrats in Brussels; and 41 per cent voiced concern about the threat of German hegemony in Europe, which both supporters and opponents of the treaty invoked in order to galvanise support for their cause.

How to bring the EC closer to the European citizen is one of the most urgent tasks of the next few months. Part of the answer is subsidiarity – the notion that the EC should exercise restraint in its application of Community law and devolve more power to member states. Mr Jacques Delors, president of the European Commission, has instructed his officials to draw up concrete plans in time for discussion at the London summit.

Yet subsidiarity has a price. Some member states may use it to roll back intrusive but beneficial policies such as the aggressive enforcement of competition law; others may seek to re-open the debate on state aid, arguing that more attention to national sovereignty means more support for national businesses. If this were to gain force, the single integrated market, the great achievement of the Community in the 1980s, could be at risk.

Moreover, subsidiarity does not address the question of accountability. For all the debate about whether Maastricht awarded more power to the Commission, the real winners were the politicians in the European Council. Ministers and their civil servants – not Mr Delors – will benefit from the expansion of inter-governmental co-operation outside of Community law.

Resolving these conundrums in the Community will take more than a summit. According to Mr Ludlow, the director of the Centre for European Policy Studies, they may require a US-style constitution, transparent and accessible to the ordinary EC citizen.

At this stage, such ideas may seem far-fetched. But unless the Twelve can reach a consensus on how to resolve the Maastricht muddle, the uncertainty will increase, sapping their will to co-operate and increasing the risk of drifting apart.

Carrots and sticks

As the Russian parliament reconvenes, **John Lloyd** sees signs of compromise as well as confrontation

The opening of the Russian parliament today has been preceded by Byzantine political manoeuvres.

On the one hand, Mr Boris Yeltsin, the president, has taken care to be seen to be emollient; he has promised the deputies that they need not face election for more than two years (many would not survive) and sought to make up with Mr Ruslan Khasbulatov, the leader of the parliament and the most venomous foe of the government and its economic reform programme.

At the same time, the Civic Forum, which unites the three centrist parties, said after a meeting of its executive committee on Sunday that it would harshly criticise the government's programme, but would not seek to overthrow it. This may be no more than a recognition that governing Russia is likely to be such a torment for the foreseeable future that it is better done by one's enemies than one's friends. Even so, Civic Forum's position represents an apparent limit on hostilities.

However, as the opening of parliament has drawn nearer, so the bitterness has deepened. The Parliamentary Coalition for Reforms, a group of radical reformist deputies, meeting yesterday, said it would seek to remove Mr Khasbulatov, or even have him arraigned by the Constitutional Court for exceeding his authority. Meanwhile, the Nationalist-Communist bloc, happily in alliance and agreeing on most things, has said it will try to impeach the president.

The stakes are high this session. For the Communists and the Nationalists, the government is far too open to the capitalist west, encouraging a mafia-entrepreneurial class which has already dethroned the old *nomenklatura* and appears to becoming a permanent fixture of Russian society.

For the industrialists, who are the most powerful group within the centrist parties, the government is a threatening force, pushing them out too fast into the market and holding the spectre of bankruptcy above their heads. Their pressure, however, has stopped the government from cutting off subsidies to state enterprises and from carrying out a policy of mass unemployment.

For the reformers in and out of government, time is running out. The figures on the progress of the economy are awful. The budget deficit was estimated at the end of the second quarter at Rbs950bn (or about 17 per cent of gross domestic product) against a total budget for the first half of the year of Rbs3,300bn. Inflation is said by the government to be running at 20 to 25 per cent a month, and Mr Sergei Vassiliev, head of the government's Centre for Economic Reform, said it could be at 50 per cent as soon as next month. Production is still falling in most sectors by between 15 and 20 per cent annually.

For the reformers, time is running out. The figures on the progress of the economy are awful

Mr Yegor Gaidar, the acting prime minister, yesterday told reformist deputies that he would again tighten the screw on credits, and that the restrictions would last for at least the next six months. He admitted, however, that his policy must gain wide support – a difficult trick for such an unpopular measure.

His determination shows that the government has not given up on its reform programme and does not intend simply to compromise itself into stasis. It will seek to get parliament to pass a bankruptcy law, allowing it to make "showcase" closures in the big industrial sector. Mr Yeltsin, who continues to support Mr Gaidar's now divided reformist cabinet, will try to get through a new constitution enlarging the scope of his power, for example, allowing him to rule by decree. The president will also propose legislation giving him the final say in appointing ministers.

At the same time, the government is trying to rein in Mr Victor Gerashchenko, the acting chairman of the Central Bank, which has dispensed credits to enterprises and to other former Soviet republics with a liberal hand over the summer. Mr Anatoly Chubais, the vice-premier in charge of privatisation, told the news agency Interfax yesterday that a special committee headed by Mr Gaidar had been set up last week to enforce some "fairly harsh decisions" on stopping the flow of credit, at least to republics. This is likely to mean telling the republics that they must abide by strict financial discipline or leave the rouble zone. But how the cabinet will stop Mr Gerashchenko, who is responsible to the parliament rather than the cabinet or the president, remains unclear.

The governing of Russia is a continuous and increasingly sharp struggle for power, and for the right to exercise it. In the absence of a constitution, the presidential, executive and legislative branches of government have ample scope to upstage each other and cancel out each other's decrees and actions.

The evidence of the long summer recess has pointed to a certain weakening of executive will and a gathering of the opposition forces. But the government now seems ready to steel itself for a further advance. It is shaping up to be a classic Russian campaign – hard, brutal, merciless. By the end of the year, in deep mid-winter, it will become more clear how the tide of battle is running.

Every which way but out of office

John Major's government is rudderless, driverless and lost just five months after its election triumph, writes Joe Rogaly

It is no use asking what the British government will do next. As we can all see, the prime minister and the chancellor are living from day to day. When it comes to the long term – to, say, next week – they show every sign of not having the foggiest notion of what strategy to propose. For the time being we can forget about new directions for Britain. We will be lucky if we get any direction at all. The objective of both the organ-grinder and the marmoset who goes around with the little tin cup is clear. They want to keep their jobs. If they manage to achieve that they will try to rebuild their reputations.

When parliament meets on Thursday Mr John Major will remind the opposition behind him that he has set the Maastricht treaty aside until further notice. He is already committed to doing nothing until the Danes have demonstrated that they have a plan for reversing their No vote. He had the foresight to build that particular hidey-hole into a speech he delivered on September 7. Now he has found another escape-hatch. He has used his presidency of the EC to convene a meeting of European leaders early next month.

There are good European reasons for calling such a summit, but to the prime minister its principal function will be that of air-raid shelter. He needs one, to protect himself from the bombardment of his own back-benchers. His current state of mind is evident. It is nervous, the disposition of a man who has had the stuffing knocked out of him. You do not have to read very far between the lines of his article in yesterday's Evening Standard to conclude that while Mr Major remains a European, sort of, ("we cannot cut ourselves off from the European continent") it is the anti-EC Tory right he most fears ("now even the French have shown they have serious doubts about the extent of control from Brussels"). He wants the summit to "take a profound look at where Europe is going".

As to the exchange rate mechanism, it turns out that there are "fault lines" in the way it is run. Presumably these were not discerned two years ago when, as chancellor, Mr Major proudly announced that Britain was going in. "We shall not go back into the system until the flaws have been put right," he now asserts, making assurance doubly sure by adding, "we cannot return to the ERM until it has been reformed". The genius whose experiment blew up is blaming the laboratory.


John Major: has set Maastricht aside until further notice

There is, however, a cunning plan to save the government's skin. It is patently a work of genius. The other 11 members of the EC are to be asked to rewrite the Maastricht treaty, or add clauses to it, or abandon parts of it, in the interest of restoring unity to the Conservative party. At the same time the Bundesbank is to be requested to pledge itself to rules of ERM behaviour that take into account British Tory needs. There is a flaw. Without the ERM, with not even a symbolic commitment to monetary union, the structure of European Union agreed at Maastricht falls down. Britain reserved the right to opt out of Emu; now it is taking a step backwards by staying out of the ERM itself. Never mind. All will be well, provided that the foreigners adjust their thinking.

Don't laugh. This is a serious matter. The fatal weakness of the Tories is their propensity to indulge themselves in illusions of grandeur. Do not take my word for it. Consider the words of Sir Norman Fowler, the party chairman, at a Conservative Political Centre summer school in July. "It is not just a British contribution that we will be making," said Sir Norman. "It will be a Conservative contribution – a lead for Europe based on the proven experience of Britain over the last decade." That was BD, before devaluation. It sounded grandiose even then. Repeated today, AD, the assertion sounds merely pathetic.

For the time being we can forget about new directions for Britain. We will be lucky if we get any direction at all

Yet there is a real chance that aspects of Maastricht will be rethought. The other 11 members of the EC are indeed concerned about the degree to which the treaty meets the aspirations of their own electorates. The Danes said No; the French very nearly did. The Germans are clearly uncomfortable. As the third or fourth most important member of the Community Britain can expect a hearing for its views, particularly while it holds the presidency, and especially if it shows that it knows its place. But Mr Major should be aware that it is the Germans and the French, in that order, who will determine whether any changes are acceptable.

These could then be negotiated by the prime minister, as was the original deal last year. There is no doubting his skill in handling the pre-Maastricht horse-trading. We must hope that his natural self-confidence returns in time for the next round. Mr Major is, after all, the only prime minister we have. He has demonstrated that he will not resign, even if forced to devalue within a week of swearing that he would never do so. This may not be glorious, but it is his choice. There is no prospect of an election, so we can rule out the leader of the opposition. In any event, Mr John Smith is as tied to Maastricht and the ERM as, BD, Mr Major was. So far no Conservative challenger has appeared.

There are several potential successors in the Cabinet, but these would only step forward if Mr Major were to be removed by some unfortunate accident. In that circumstance Mr Kenneth Clarke would probably be front-runner, against, perhaps, Mr Michael Heseltine. Since both are Euro-enthusiasts, there is little point in the anti-Maastricht Right plotting Mr Major's downfall. Lady Thatcher is, fingers crossed, safely tucked away in the Lords. Anyhow, the country likes the prime minister it appears to be stuck with.

Whether it likes him better as the winter draws on may depend on who wins the economic argument: the angel whispering in his right ear that he must keep interest rates high to combat inflation, or the devil on his left urging him to cut loose and dash for growth. Popularity is there for the buying, if he but succumbs. Thus there is no way of establishing whether the ambition, restated by the prime minister yesterday, of achieving "low inflation and a prosperous economy" will be matched by as inflexible a resolve outside the ERM as it was within it.

In short there is no telling where Britain is heading. It could be in the direction of another bust-up with the EC. Even if a fresh Maastricht deal is renegotiated, there is no guarantee that it would get through the Commons. In spite of the government's repeated rejection of a British referendum, it is quite possible that Mr Major will once again be mugged by events and obliged to call one. He must rely on Mr Smith to save him from that, as from so much else. Five months after Mr Major's election triumph his government is rudderless, driverless, lost.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

About face on the ERM and the singular generosity of Britain's chancellor

From Messrs George Magnus and John Shepperd.

Sir, Your review, "What the economists have to say now" (September 18), highlighted a shameful about-face by people who really ought to know better. Only two or three had a proper sense of perspective. Euro-sceptics have the excuse of having opposed consistently ERM membership. Politicians may be expected to jump ship and take opportunistic advantage of changing circumstances. Most economists, however, and a large part of the media, cannot claim such immunity. They hailed ERM membership in 1990 as necessary, long-overdue, the only route to stable growth and low inflation etc, and many persisted with the "stick with it" view right up to the government's decision to suspend membership.

Now that sterling has devalued, lo and behold, these same voices can be heard saying that the UK should stay out of the ERM. Doubtless, some have assumed that the ERM will break down completely and that the UK should fend for itself.

We concede that German unification has changed Europe to a degree unimaginable in 1990 and financial markets have been reacting violently to suppressed pressures. Had the German government not relied on massive borrowing to finance unification and had other European governments adopted a more flexible approach to exchange rate management, these pressures may have been released without the crisis that has erupted this summer.

So much for the past. Now that sterling (and the lira) are outside the ERM, it is vital that it should rejoin a reconstituted ERM. The UK could stay out for a while longer, awaiting further falls in German interest rates. It seems to us, though, that these will now come much more quickly than expected, having regard for the crisis itself and Germany's gathering recessionary forces.

It may, therefore, take rather longer to secure the next 2 to 3 per cent reduction in UK rates than under a free float – but to do so under a float is short-termism and myopic. After the crisis is over, Europeans will try again to find the means to integrate (albeit different from the Maastricht economic blueprint), the EMS will still be there, the US dollar will not reel because of sharp US rate cuts and a UK and European economic recovery is bound to happen eventually. Under these circumstances, the economic and political arguments for UK membership of the ERM will be as strong as they ever were in the 1980s. An independent Bank of England would help too.

We are not saying the UK should re-enter immediately – merely that long-term UK interests are still best served inside the ERM and that the UK should do so in the context of decisions made on a wider European basis. Whatever rate is chosen at the time, this policy is the only one that will cement lower inflation. We may yet be surprised by the speed of change in Europe's interest rate environment in the months to come – and perhaps in economists' views about the ERM again!

George Magnus,
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From P G Hirsch.

Sir, Why all the criticism of Britain's chancellor? Has he not achieved momentous feats in recent days? How many chancellors can claim to have cut interest rates by 5 per cent, twice confounded commentators by perfectly executed U-turns, and lost £11,000 a second, all within 24 hours.

Moreover, it is a singularly generous act, on our chancellor's part, to allow the Germans and French to take the lion's share of the glory for these achievements, and to understate his own role in bringing about this return to traditional values (such as a falling pound).

P G Hirsch,
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Carriers less restricted at US airports than at Heathrow

From Mr Cyril Murphy.

Sir, Your article, "After the US, the world" (September 17), discussing British Airways' global ambitions, presents a very misleading picture of BA's access to US airports.

The impression given in the article is that US carriers dominate slot access at key US airports to the detriment of foreign competitors while enjoying unlimited slot access to Heathrow. Nothing could be further from the truth. What you have failed to advise your readers is that none of the US airports mentioned – with the exception of Chicago – is slot restricted at all. All carriers, including BA, enjoy as much international access to these airports as is justified by traffic demand.

Chicago O'Hare is one of only two slot restricted international airports in the US. There, US carriers are forced by law to give up slots to enable their foreign competitors, including BA, to fly any services they wish.

At Heathrow, by comparison, all carriers – included United – suffer from slot restrictions, and often can not fly the services permitted by international agreement.

The BA-USAir transaction provides a unique opportunity for the US and UK governments to negotiate a liberalised agreement presenting real opportunities to carriers from both countries. It is important that the arguments on both sides are presented fairly, if the governments are to achieve their goal.

Cyril Murphy,
vice president, international affairs,
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Concern raised by executive share option proposals

From Ms Carol Arrowsmith.

Sir, Although the consultative approach to share schemes taken by the National Association of Pension Funds ("Stock option schemes queried", September 16) is welcome there are a number of points of principle which may cause concern. The use of share price as a measure to determine whether an option is exercisable is, by its nature, volatile. For companies which are at, or close to, the threshold for success, the option may be exercisable on Wednesday, barred on Thursday and exercisable again on Friday.

The option benefit is itself dependent on share price. To make access to that benefit dependent on share price performance as well seems to imply that it is acceptable to make really big money on the roulette wheel of the market, but not just big money.

The executive option introduced the concept of executive reward related to shareholder gain. To date, executive options have not always satisfied executives and have often been seen by shareholders as failing to deliver the intended shareholding benefits, but they will ensure that any gain enjoyed by executives is matched by a rise in the value of shareholders' investment over that period. Moreover, companies sensitive to the transitory nature of executive shareholding have developed innovative approaches to encouraging and reinforcing shareholding by executives. It is unfortunate the NAPF has not broadened the debate by supporting such initiatives.

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OBSERVER

Common denominator

■ The rise of Chuan Leekpai, the Democrat Party leader who is set to become Thailand's next prime minister, is dealing a heavy blow to the country's reputation for having an exotic and incomprehensible political system staffed by gangsters, retired generals and fanatical Buddhists.

The mild-mannered Chuan – whose pastimes include playing darts alone at home – has startled the neighbours in the squalid quarter of Bangkok where he lives by appearing on television and turning out to be quite important. He is, in short, Thailand's answer to John Major.

"He is very quiet. He doesn't mind when the drunken neighbours make a lot of noise, breaking glass or singing late at night," according to one local taxi driver quoted in The Nation newspaper.

Chuan's critics say he is as incapable of making important political decisions as he is of getting angry with the neighbours, but most Thais seem relieved at the prospect of being led by such an unremarkable man.

The alternatives include the aforementioned generals and gangsters and Chamlong Srimuang, the devout Buddhist who led the street protests in May (when 50 demonstrators were killed) and who abstains from sex – even with his wife.

Big fish

■ There seems to be something of a tradition of old Midland Bank hands ending up in retailing. Michael Julien, the former finance director, joined Storehouse (via Eurotunnel and Guinness) and John Harris, another former Midland high-flyer, spent a spell on the board of Great Universal Stores.

Now Geoffrey Taylor, a former group chief executive and boss of the other two, has resurfaced as the new non-executive chairman of Fosters, a management buy-out from Sears. The 65-year-old Taylor has kept a low profile since he retired in 1986 after an unhappy period at Midland's helm. Apart from the chairmanship of Daiwa Europe Bank, he sits on the board of Y J Lovell and a Bermuda-based investment company.

"Clearing banking is partly retailing," says Taylor, echoing a view commonly held during Midland's more go-go years. Whereas Midland is one of the Big Four clearing banks, the loss-making Fosters is a relative minnow in its industry with only 2.5 per cent of the UK menswear market and an annual turnover of not much more than £100m.

Celling point

■ America's 900,000 prison inmates are "brand loyal" consumers and have significant discretionary spending power. So says Joe Strahl; and he should know – he used to be a supply manager for a prison in Illinois.

Strahl plans to launch a magazine called Prison Life next month hoping the $3.95 cover will soak up some of the estimated $1,100 plus inmates spend a year. The first cover story seems designed with the longer term reader in mind. It's headed "Manson get off his back: the inequities of prison parole"....

Déjà vu

■ Invoices in the soup, computer discs in the bedlinen? Surely not. Tomorrow, just for the day, executives at London's Hyatt Carlton Tower will be sporting waiters' aprons and bell boys' jackets in an exercise designed to help managers understand the problems encountered by their staff.

It is all part of parent Hyatt Hotels Corporation strategy for "improving lines of communication". Although the Chicago corporate HQ will be shut, Darryl Hartley-Leonard, president of Hyatt Hotels Corporation, will be on hand as a front desk clerk, the position in which he started his Hyatt career.

'A wafer-thin margin's better than no wafer at all, I suppose'

Fruit standard

■ David Hale, chief economist of Kemper Financial Services in Chicago, has a suggestion for Norman Lamont as he hammers out his new "British" economic policy.

The government's implacable opposition to granting independence to the Bank of England, combined with its continued desire to target the exchange rate, really leaves it with only one solution, the American economist argues.

The pound should be pegged forthwith to the New Zealand dollar.

Not only does he reckon the British might feel more comfortable aligning themselves to their kith and kin, but he also points out how the Kiwis happen to have on offer one of the world's most independent central banks.

Influx

■ A conga line of Cuban political refugees looks to be forming in Argentina behind the three dancers from Havana's Tropicana nightclub revue who decided to stay on after performing in Buenos Aires recently.

No sooner had the trio been spirited off to a safe house in the city than their footsteps were followed by two aircrew from the Cubana airline, a computer programmer who'd overstayed his tourist visa and three other miscellaneous defectors.

With the country's immigration chief saying he wouldn't be surprised if all 400-odd Cubans now in Argentina on tourist visas soon applied for refugee status, President Carlos Menem must be dancing his own gleeful jig. Besides scoring brownie points in Washington, he's doing down his arch enemy Fidel Castro.

Suitable case

■ Passing the office of a consistently late lunching colleague, a City broker saw the nameplate on the door had been covered with a paper strip reading NATO.

On inquiring, he was told the letters stood for: "Needs alcohol to operate".

Japanese economy registers zero second-quarter growth

By Charles Leadbeater in Tokyo

JAPAN may be on the verge of its worst recession for almost 20 years with the economy failing to grow in the second quarter of 1992, official figures to be published this afternoon suggest.

Official statistics measuring gross national product will show zero growth for the second quarter, according to senior government officials.

The figures, to be released by the Economic Planning Agency, will confirm that the economy has run into the sand after the rapid expansion of the late 1980s which fuelled growth of at least 4 per cent for 4½ years.

The situation is not yet as serious as during the first oil shock of 1974, when the economy contracted for three successive quarters. GNP, however, did not fall during the downturn of 1981-82 or during that of three years later.

The economy is delicately poised and the next three months could determine whether it recovers or slips deeper into depression.

Government economists insist the figures will mark the bottom of the downturn which began more than a year ago. They believe the announcement last month of an emergency Y10,700bn ($86bn) public spending package – aimed at boosting confidence in the financial system and stimulating public investment – will ease the economy to a soft landing with growth of about 3 per cent next year.

Many private sector economists, however, believe the economy faces such serious problems – overcapacity in manufacturing, huge bad debts which could disable the banking system, and stagnant private consumption – that it will fall further unless the government takes additional action.

The fragility of Japan's economic miracle was underlined by figures showing that, this year, average land prices fell for the first time since 1975 when the National Land Agency started compiling statistics.

The agency's report, based on a survey of 26,000 locations, found that residential land prices fell by 3.8 per cent and commercial prices by 4.9 per cent compared with a similar survey in July 1991.

In the Tokyo area, residential and commercial prices fell by 12 per cent, while in Osaka prices fell by about 23 per cent.

The fall in prices, which began in Tokyo and Osaka in 1991, has started to spread to regional cities, which reported price rises of just 0.3 per cent against a rise of 5.2 per cent last year.

Sales at Tokyo department stores fell by 5.7 per cent in August compared with the same month in 1991, the sixth successive monthly fall.

The Japan Department Stores Association reported that furniture sales were 14.4 per cent down on July, electric appliances 16.4 per cent down and clothing sales 6 per cent lower. Only spending on food and in coffee shops had increased.

One factor behind the sluggish store sales is the recovery in Japanese savings, which rose by 8.1 per cent in the year to July according to results of a poll of 6,000 households published by the Bank of Japan.

France and Germany bid to save treaty

Continued from Page 1

would discuss ways of ensuring greater control by national governments and parliaments over the Brussels bureaucracy and the injection of more democracy and transparency into EC decision-making.

In a televised reaction to the French referendum, Mr Kohl stressed the need to answer the doubts of many European voters over the European integration process.

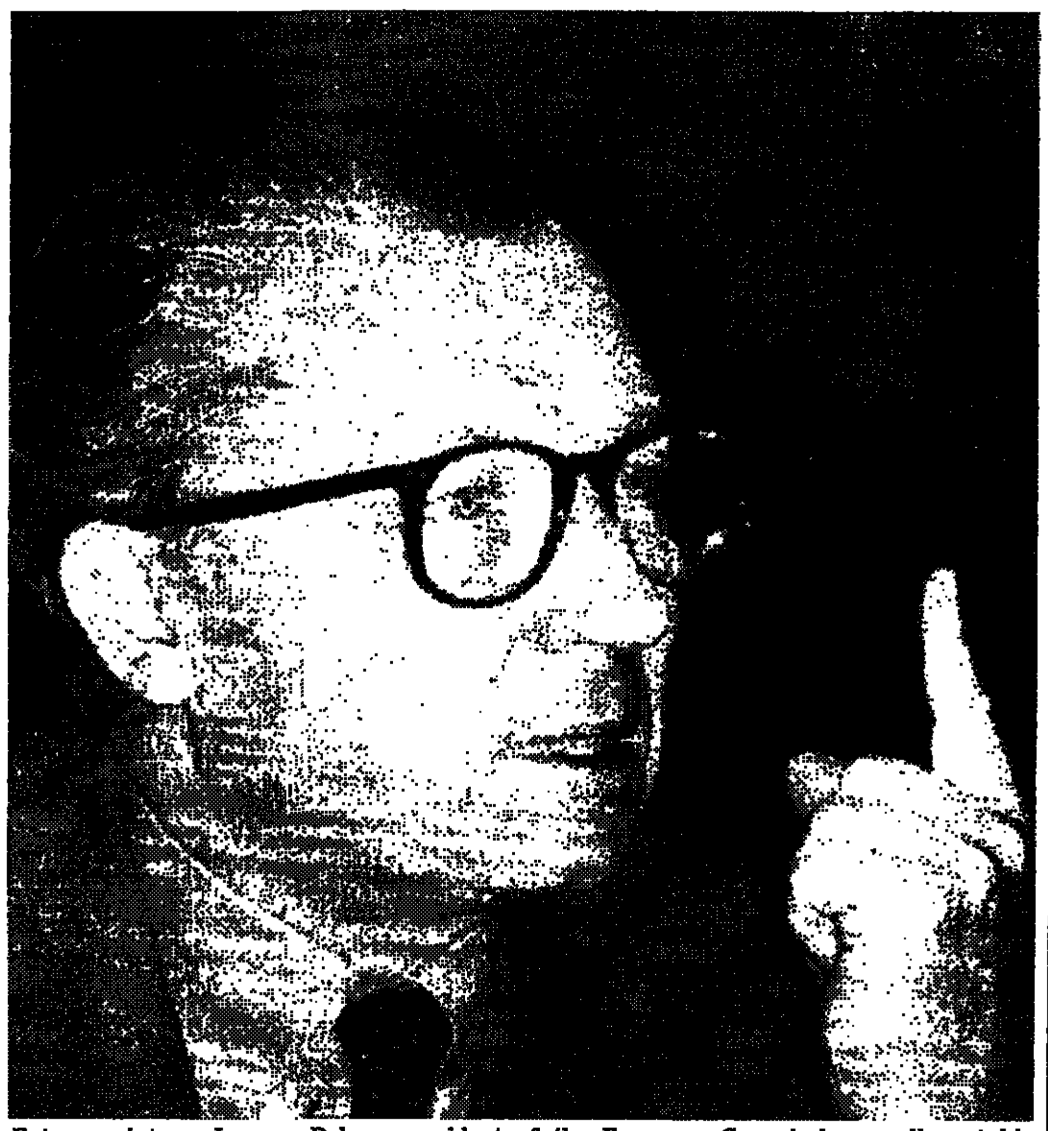
"We have to learn from the experience of the past few weeks. We also have not only to talk about possible mistakes, but to correct them."

He stressed the need both to answer fears over the possible loss of national identity and to ensure that power in the EC was centralised as little as possible.

Mr Dieter Vogel, German government spokesman, said the emergency summit called by Mr Major should not and would not seek to renegotiate the Maastricht treaty, but could usefully consider "clarifications or additions".

The idea of some sort of declaration on "subsidiarity" – the maximum devolution of power to lower levels of authority – has been on the table since June.

"That is something that could send a signal, a message that we want a Europe of regions, that fully preserves national identities", Mr Vogel said.



Future pointers: Jacques Delors, president of the European Commission, spells out his reaction to the result of the French referendum during a radio interview yesterday

Major seeks to regain grip on party

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the British prime minister, yesterday sought to recover a grip on his party with a signal to Conservative Euro-sceptics that UK economic recovery would now take precedence over European integration.

But as a still-falling pound reduced the scope for lower interest rates, there were signs that French approval of the Maastricht treaty was creating new strains within the cabinet over its approach to Europe.

Mr Major did little to dispel the impression of disarray in London after sterling's enforced departure from the ERM and the French vote.

The discordant notes sounded in recent days by Conservative Euro-sceptics were matched yesterday by alarm on the pro-European wing of the party that policy is lurching towards narrow nationalism.

The anxiety that Britain risks being stranded on the fringes of the Community was heightened by the announcement that German chancellor Helmut Kohl and French president François Mitterrand will meet for a bilateral summit later today.

Writing in a London evening newspaper, Mr Major stated bluntly that sterling would not return to the exchange rate mechanism "until it has been reformed".

He underlined that there was no question of Britain pressing ahead with ratification of the Maastricht treaty until after next month's emergency summit and until Denmark had clarified its position.

Downing Street signalled that the issues of ERM re-entry and Maastricht ratification may now have become intractably entangled, with little prospect of the treaty gaining parliamentary approval while the pound is floating.

Mr Major said the battle against inflation would remain the priority of economic policy. But in an apparent softening of his previous absolute commitment to stable prices he referred to the goal of "low inflation and a prosperous economy".

As British officials acknowledged that a lower pound would eventually lead to higher price rises, Mr Major encouraged speculation about possible reductions in interest rates.

The prime minister said that, if the government kept a firm grip on public spending, it would be able "to bring down interest rates without risking our success against inflation".

There is no prospect of the rapid and sharp reduction in borrowing costs demanded by some on the right of the Conservative party.

But Mr Major may now judge that it will be impossible to restore party unity over Europe unless he first delivers the long-promised end to recession.

The prime minister said that other EC leaders should reflect on the concerns of their electorates before pushing ahead with integration: "All of Europe's governments need to reflect hard on the lessons of the last weeks and months and on the future direction of the Community."

That sentiment was echoed by Mr Kenneth Clarke, the home secretary, and Mr Douglas Hurd, the foreign secretary, who are both staunchly pro-European. But the tenor of the two ministers' assessment appeared markedly less hostile than that of Mr Major.

Mr Clarke, speaking on BBC Radio repeatedly underlined the government's commitment to Maastricht. Other ministers are dismayed at the much more sceptical stance adopted by Mr Major and Mr Norman Lamont, the chancellor of the exchequer.

One suggestion at Westminster last night was that the prime minister was engaged in a "tactical retreat" with the aim of restoring first Tory party unity and then moving on to reassert an essentially pro-European policy.

But some ministers are worried that the absence of any real debate within the cabinet has left a policy vacuum. There are also signs that Mr Lamont is seeking to buttress his grip on the Treasury in the wake of sterling's devaluation by putting himself at the head of the party's Euro-sceptics.

Bundesbank warning

Continued from Page 1

vice-president, was more cautious. There could be some examination of the technical functioning of the ERM, but no fundamental overhaul, he said.

Mr Schlesinger said it was more important that countries followed the rules agreed when the system was set up at the end of the 1970s. In particular, it should revert to being a system of fixed but adjustable exchange rates. "Realignments should not be taboo." He said it was therefore wrong for one country to attempt to ease ERM tensions by urging another, such as Germany, to lower its interest rates.

Single currency doubts

Continued from Page 1

D-Mark's unbroken rise on the currency markets put pressure on the shares of export-sensitive sectors such as cars and engineering.

In Paris, share prices slipped more than 3 per cent on the day as the fragile nature of the franc weakened prospects of an early cut in interest rates. The CAC-40 index ended down 56.88 at 1,826.06.

Italian shares finished the day's highs when an early rally which had followed the result of the French referendum fizzled out. Share prices closed 1.35 per cent higher on the day.

World Weather

		°C	°F
Ajaccio	S	26	79
Algiers	S	31	88
Amsterdam	F	20	68
Athens	S	27	81
Bahrain	S	33	91
Bangkok	C	33	91
Barcelona	F	27	81
Beijing		-	-
Beirut	F	27	81
Belfast	S	13	55
Belgrade	S	26	79
Berlin	S	19	66
Biarritz	S	21	70
Bombay	S	32	90
Bordeaux	S	23	73
Boulogne	T	17	63
Brussels	S	20	68
Budapest	F	21	70
Buenos Aires	F	20	68
Cairo	S	29	84
Cape Town	R	11	52
Caracas	F	30	86
Casablanca †	F	23	73
Chicago †		-	-
Cologne	F	20	68
Copenhagen	S	17	63
Corfu	F	27	81
Dallas †	S	24	75
Dublin	S	14	57
Dubrovnik		-	-
Edinburgh	F	12	54
Faro	S	24	75
Florence	F	27	81
Frankfurt	S	21	70
Geneva	C	19	66
Gibraltar	F	25	77
Glasgow	S	11	52
Helsinki	F	15	59
Hong Kong	S	32	90
Innsbruck	S	21	70
Inverness	S	13	55
Islamabad	F	32	90
Istanbul	S	24	75
Jakarta	R	32	90
Johannesburg	S	27	81
Lisbon	S	21	70
London	F	17	63
Los Angeles †	S	17	63
Luxembourg	F	19	66
Madeira	F	24	75
Madrid	S	25	77
Majorca	S	30	86
Malaga	S	27	81
Malta	F	28	82
Manila	R	29	84
Melbourne	F	14	57
Mexico City		-	-
Miami †	S	27	81
Milan	S	25	77
Montreal †	S	19	66
Moscow	S	14	57
Munich	S	20	68
Nairobi	F	23	73
Naples	S	27	81
Nassau	C	30	86
New Delhi	S	32	90
New York †	C	19	66
Nice	S	22	72
Nicosia	S	27	81
Oporto	F	18	64
Oslo	C	13	55
Paris	F	19	66
Prague	S	20	68
Reykjavik	S	8	46
Rhodes	S	27	81
Rio d'Janeiro	C	24	75
Rome	S	26	79
Salzburg	S	22	72
S'Francisco †	C	13	55
Seoul	S	26	79
Singapore		-	-
Stockholm	F	13	55
Strasbourg	S	19	66
Sydney	S	19	66
Taipei	R	30	86
Tangier	F	24	75
Tel Aviv	F	28	82
Tenerife	F	22	72
Tokyo		-	-
Toronto †	R	15	59
Tunis	F	30	86
Valencia	C	26	79
Venice	S	24	75
Vienna	F	22	72
Warsaw	C	13	55
Washington †	C	20	68
Zurich	S	19	66

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

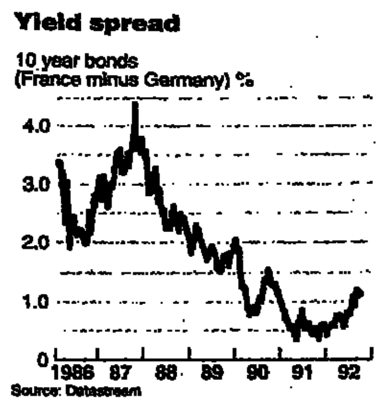
The franc under fire

The French franc's honeymoon period looks to have been even briefer than sterling's. At least the pound managed to struggle back above DM2.81 last Monday in response to that wafer-thin German interest rate cut – into what laughably seemed like reasonably safe territory at the time. But the euphoria which initially greeted the wafer-thin French majority in favour of Maastricht yesterday was quickly replaced by fresh doubts over the currency. The Bank of France can hardly have been pleased to see the franc back within a centime of its ERM floor despite heavy intervention after touching FF3.3910 earlier in the day.

Given the speed and savagery with which Messrs Major and Lamont were swept away, it would be idle to assume that the French Government can easily withstand the tide. There is admittedly much more will in Paris than there was in London, and much greater credibility behind the commitment to defend existing parities. But the markets again scent blood and the weekend's lukewarm endorsement of the treaty can only encourage further testing of the defences. With an election just six months away the speculators may calculate that the government's nerve is likely to crack.

Much will depend, though, on the attitude of the Germans. The current crisis is, after all, as much as anything a test for the Bonn/Paris alliance which lies at the core of the European Community, and even a modest German cut could stave off the need for a French interest rate rise. Whilst the Germans might be reasonably sanguine about British and Italian devaluations, they may conclude that letting the franc go the same way would be handing the French a clear competitive advantage. Yesterday's fresh bout of disappointing news from the French corporate sector was another reminder that the tensions between German monetary policy and growth priorities elsewhere must ultimately snap.

FT-SE Index: 2560.1 (-6.9)



UK gilts

The gilts market is responding with curious ambivalence to the possibility of lower UK base rates. The short end continues to discount a rather aggressive cut: the yield on the 12 per cent stock due 1995 has fallen by nearly 2 percentage points to 8.6 per cent since last Wednesday night. The long end appears relatively unruffled by the inflationary consequences of easier money. Over the same period, the yield on 25 year paper has risen by only 0.4 points to 9.2 per cent.

Perhaps the actual rate cuts will be less than the markets were originally expecting. Mr Major again yesterday stressed his commitment to the fight against inflation. If he is to be believed, the price pressures unleashed by the devaluation will be held in check. Still, the long end of the gilts market may be too sanguine. The borrowing requirement will remain large over the next few years and foreign investors can no longer be so easily counted on to fund it.

Last week's intervention has taken care of immediate funding needs, but even with some pick-up in growth next year, the PSBR could still be in the £35bn range. The trouble is that foreigners may blow hot and cold on gilts, depending on their perception of the exchange rate, while domestic institutions are again enthused by equities. Two conclusions follow. First, funding constraints point to sharply tighter fiscal policy – a point which, incidentally, should not be lost on contractors and other companies dependent on public sector business. Second, the gilt/equity yield ratio, still just under two, may return to its more normal range of two to 2.5 after the devaluation. But it may be more a question of higher real yields on gilts than lower ones on equities.

MAI

Despite moneybroking's reputation for producing poor quality earnings, MAI seems to do consistently well, as yesterday's preliminary results reaffirmed. With a particularly strong niche in the New York-based US Treasury bond market and operations in deposit and securities broking in London, MAI is as well placed as it is possible to be in such a footloose industry. Automation may cut margins in some more straightforward areas of broking, but governments' habit of issuing ever-increasing volumes of debt and the volatility of markets are all grist to MAI's turnover-driven mill.

Even if the market still worries about profits from the main broking business, the company has good cash flow and a strong balance sheet. Diversification into television also adds another profits stream. Meridian, the new ITV franchisee for the south of England in which it holds a majority stake, should break even this year and enhance profits thereafter. Yet MAI is a people-based service business of the type which has been deeply unfashionable with investors in recent years. That alone may be enough to keep it on a rating below the market average.

Sears

The volume of red ink which has flowed from Fosters is reason enough for Sears to dispose of the business. Menswear retailing is having an awful time and Fosters was ill-placed to compete, even in good market conditions. Still, the exit price is high. Sears must write off £42m of goodwill through the profit and loss account, which had been previously charged to reserves. Then there are £40m of other extraordinary losses associated with the withdrawal, including £5.3m of trading losses since May. Whatever one thinks of the zealous way Sears has thrown everything into the extraordinary line, at least the pain is now visible. There is also relief that under Mr Liam Strong's management deep-seated problems are at last being tackled.

Next week Sears is expected to announce further provisions against the British Shoe Corporation along with its interim results. This again raises the question of whether the company will maintain its dividend. It may be argued this would be inappropriate when the payout is uncovered. However, Sears' balance sheet is strong. Cutting the dividend could send the wrong message to the market when the company's fortunes are near their nadir – a point with which other managements may have to grapple in a post-ERM world. On top of that the management is in a ticklish position. If they provide for a clean-out and then cut the dividend, a falling share price may just tempt in a predator.

FINANCIAL TIMES

COMPANIES & MARKETS

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Tuesday September 22 1992

INSIDE

Club Med may fail to meet forecast

Club Mediterranée, the French holiday and leisure group, warned it may not be able to meet its profit forecast for 1992 because of an unexpected steep fall in profits from its US subsidiary. Club Med Inc, the US company 72 per cent owned by the French group, announced a 21 per cent fall in net profits from \$27.8m to \$21.9m. Page 22

Ecuador opts out of Opec

Oil prices drifted lower yesterday as Ecuador announced that it intended to leave the Organisation of Petroleum Exporting Countries – the first country to do so since Opec was formed in 1960 – and Iran refused to sign the production agreement reached by the cartel last week. Page 30

Strong recovery for Air NZ

Air New Zealand saw a strong recovery in net profits to NZ\$121.16m (US\$65.8m) for the year to June 30, compared with NZ\$19.97m for the previous 15 months. The airline is joining Brierley Investments, the New Zealand hotel and investments concern, to bid for a strategic stake in Qantas, the Australian government-owned airline. Page 24

YSL hopes for perfume boost

Yves Saint Laurent, the famous French fashion house, has reported a sharp fall in net profits from FFr41m in the first half of 1991 to FFr2.6m (\$500,000) in the same period this year. The company said the first half wastraditionally the slackest part of its year, as most of its perfume sales were made before Christmas. Page 22

European bourses diverge

European bourses diverged last week as currency turmoil pushed the UK, Italy and Spain into devaluation. Back Page

Bryant Group rises 97%

Pre-tax profits at Bryant Group, the West Midlands-based housebuilding and construction company, rose 97 per cent to £20.3m (\$35m) in the year to May 31. House sales increased 25 per cent to 2,330 although the average selling price fell from £90,000 to £86,000. Page 26; Market, Page 35

Countries eye syndicated loans

The UK and Sweden both tapped the international syndicated loans market earlier this month in order to support their domestic currencies. Following last week's turbulence in the financial markets, other sovereign borrowers are understood to be looking at possible ways of raising finance at short notice. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Leifheit	420	+	10
Rosenthal	230	+	15
Falls			
BMW	537	−	14.5
Daimler	641.4	−	14.1
Degussa	287	−	13
Linde	755	−	18

NEW YORK (\$)

Rises			
Primerica	41⅛	+	¼
Travelers	20⅝	+	3⅛
AT&T	44⅛	+	⅜
Nike	76⅞	+	⅞

TOKYO (Yen)

Rises			
Aoki	550	+	46
Fujitsu Gen	509	+	55
Mutoh Inds	1300	+	120
Terumo	950	+	100
Todoky Ind	620	+	49
Falls			
Hakone Tozan	574	−	51

LONDON (Pence)

Rises			
BarrattDev	50	+	5
Blacks Leis	42	+	8
Bryant	89	+	8
CitySiteEsts	18	+	9
FairlineBoats	146	+	21
Hasne	20	+	2½
Lloyd Thompson	207	+	14
ML Hldgs	22	+	5
Marley	91	+	6
Menvir Group	42	+	6
NSM	29	+	10
Prop Sec Inv	89	+	21
Shandwick	10	+	4
Smith New Ct	94	+	6
Speyhawk	12	+	3½
TV-am	81	+	5
TVS Ent	21	+	2¼
Trafalgar Hse	52½	+	7
TravisPerkins	131	+	15
Falls			
British Land	133	−	12
NatWest Bank	334	−	12
Olives Hldgs	53	−	7
TSB	132	−	8
Yorks Water	447	−	15

Chairman of financial services group to join board of troubled US insurer

Primerica takes 27% of Travelers

By Patrick Harverson in New York

SHARES in Travelers Corporation jumped sharply on US stock markets yesterday on the news that Primerica, the financial services group, had taken a big stake in the troubled insurance company, and Mr Sanford Weill, Primerica's chairman, would assume a significant role in Travelers' operations.

Travelers' share price rose \$3⅛ to close at \$20⅝. There was heavy trading following the announcement that Primerica had agreed to invest \$722.5m in Travelers in return for a 27 per cent stake.

Investors and analysts welcomed the deal and the appointment of Mr Weill to Travelers' board was seen as a much-needed vote of confidence in the insurer.

The struggling insurer, suffering big losses on commercial property investments, agreed to elect Mr Weill to its board where he becomes chairman of the key finance committee. Travelers also unveiled a restructuring involving 3,500 job losses, or 10 per cent of its workforce. It will take a \$132m after-tax charge in the third quarter to pay for the lay-offs, but it will also report a special net gain of \$135m as a result of an accounting change.

The agreement, subject to regulatory and shareholder approval, gives Primerica 38m shares of Travelers common stock, valued at \$19 a share, in return for \$550m cash, a 50 per cent equity stake in Primerica's Gulf Insurance property-casualty subsidiary and 100 per cent in health insurance operations of Primerica's Transport Life/Voyager Group.

The deal increases to \$1.4bn the capital Travelers has raised this year to shore up its shaky financial position. In the first half of this year it sold \$675m of stock and bonds. More than a third of Travelers' \$13.8bn book of property loans was characterised as underperforming by the end of the second quarter.

Mr Bruce Ballantine, analyst at ratings agency Moody's, which announced yesterday it was reviewing Travelers for a possible upgrade, said Mr Weill's new role would be important to the insurer's future.

He said: "Mr Weill has a very good track record in moving into companies and improving results. However, it's not clear how the various leaders at Travelers and Primerica will work together, and that is something we will be watching closely."

Pechiney rises after reshuffle of assets

By William Dawkins in Paris

PECHINEY Group, the French state-owned aluminium group and its can-making subsidiary, Pechiney International, which is separately listed on the stock market, reported sharp increases in first-half net profits yesterday.

Net earnings at Pechiney Group rose from a restated FFr429m to FFr782m (\$153m) in the first six months, after one-off gains from a complex asset reorganisation and an injection of fresh capital in May and June.

Operating profits fell from a restated FFr2.44bn to FFr1.79bn, because of low aluminium prices and technical problems in the start-up of extra capacity. Sales fell from FFr36.36bn to FFr34.06bn on the same basis.

Under the asset reshuffle, Pechiney Group took over its subsidiary's aluminium and trading businesses to leave Pechiney International as a packaging and turbine component company.

The aim is to make Pechiney International more attractive to investors by reducing its exposure to volatile aluminium prices.

Earnings at Pechiney International increased more than five-fold, from a restated FFr266m to FFr1.41bn over the same period, reflecting heavy exceptional gains. Net sales fell from FFr18.66bn to FFr18.29bn.

It forecast a full-year profit of more than FFr1bn, excluding exceptional gains, against the FFr890m Pechiney International recorded on a comparable structure in 1991. This is based on a forecast that earnings from the packaging division – 85 per cent of operating profits in the first half – should rise around 10 per cent in dollar terms this year, while debt payments have fallen because of the asset reorganisation.

Excluding exceptional items, Pechiney International's net earnings were static in the first half, while operating profits fell 8.9 per cent to FFr1.37bn, reflecting a decline in demand for turbine components from the depressed aircraft industry.

Its packaging division recorded a 3.7 per cent rise in operating profit, to FFr1.17bn.

● Spie-Batignolles, the troubled French construction group, is expects a net loss of between FFr150m and FFr200m this year, but will break even at the operating level said Mr Claude Coppin, group president.

Investors query the rewards of risk

Norma Cohen reports on unease over fees for venture capital fund managers

Nobody is surprised to hear that venture capital has offered rich returns to investors during the past two decades. But the scale of the rewards available to venture capital fund managers may come as a surprise to those used to the less generous world of conventional investment management.

The difference between the two worlds surfaced recently when a rival drew attention to the guidelines governing fund managers' personal investments at CinVen, Europe's second-largest venture capital fund manager.

CinVen, which is part of the coal board's in-house pension fund management, allows its fund managers to invest their own money in the highest-risk but also highest-yielding portion of each transaction, known as sweet equity, while eschewing the lower-risk but less lucrative loan stock which typically accompanies it. CinVen fund managers may not pick and choose among investments but must invest in each one and in the same proportion.

The practice is not uncommon in the venture capital industry, but it illustrates why remuneration in the industry has become a touchy subject. In the early years of venture capital – a sector in which investments may take 10 to 12 years to realise their full value – investors had to make sure the fund manager stayed around long enough to see each project through to fruition.

Out of that has grown an elaborate remuneration structure where fees greatly exceed those of traditional fund management. Typically, venture capital firms receive a basic management fee of 2½ per cent compared with the 0.15 per cent to 0.25 per cent charged by conventional fund managers on the more run-of-the-mill business of managing balanced pooled funds. Because the fees are paid on funds raised rather than on funds invested, the effective rate on funds under management is closer to 4¼ per cent. Typically, pools leave some funds lying idle while suitable projects are being found.

Additionally, the fund managers earn a cut, known as "carried interest", typically 20 per cent of all profits once the investors have earned back their full investment.

'Somebody in their 30s can earn £60,000 to £80,000 per year'

CinVen says that because it does not operate a pool, it is administratively impossible to offer its fund managers carried interest. So it has offered co-investment in sweet equity to attract and keep the best managers.

Mr John McCrory, partner at Crossroads, a Birmingham-based firm which advises investors on venture capital projects, said venture capital fund managers "need to have significant commercial and industrial experience plus deal construction and 'realisation' skills – the ability to sell a company for what it is worth." Individuals with those skills are at a premium and fee structures arose to tie fund managers into projects for long periods.

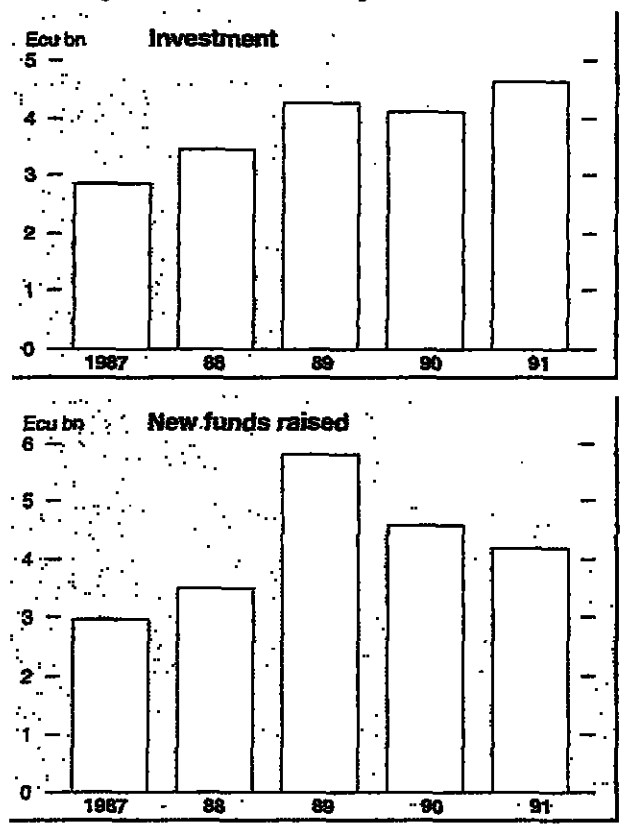
Now some investors are unhappy with these arrangements.

"We are pressing hard for the economics to work," said Mr John Brakell, director of Postel Development Capital, the venture capital arm of the giant PosTel pension fund which has roughly £350m (\$620m) invested in that sector. "The remuneration is probably larger than the achievements of the industry so far," Mr Brakell said.

"I don't believe there is any other sector of the fund management industry which is as highly rewarded as the venture capital sector," said Mr Maurice Anslow, editor of the UK and European Venture Capital Journals. "Somebody in their early 30s can earn £60,000 to £80,000 per year and all they are doing is looking at business plans."

Why investors agreed to pay such generous fees to venture capital fund managers may be explained by looking at returns. No UK figures are available, but data from the US show that during the past 20 years, the average annual return has been 15 per cent with the top quartile earning 21.3 per cent. But over the past five years, the average returns have been 5.8 per cent although the highest performing quartile of funds have annual returns of 13.1 per cent. Increasingly, investors are insisting that fund managers' carried interest should not take effect until investors have earned a so-called hurdle rate of return, typically the same as on a low-risk government bond.

European venture capital



Source: European Venture Capital Association

Underlying the investors' changing view of remuneration for venture capital fund managers is the changing nature of the business. The recession has taken a harsh toll of start-up and developing companies and the bulk of venture capital investment opportunities now lie in management buy-outs of established companies or refinancing debts. The skills required in assessing such investments are much closer to traditional fund management than to the glamorous world of risky start-ups. "These are not the sort of people who could run off and start up another Apple Computer," says Mr McCrory.

If these two activities are different, perhaps they should be rewarded differently? "Investors are challenging remuneration structures because increasingly they see the difference between the two," says Mr Andrew Sells, partner at venture capital managers Nash, Sells and Partners.

There is much tinkering with fee structures, but wholesale revisions have yet to occur. Mr Brakell is hopeful: "If the issue of remuneration gets enough publicity, then I think they will be forced to change it."

Chairman of ING resigns after only 12 weeks in post

By Ronald van de Krol in Amsterdam

MR Willem Scherpenhuijsen Rom, chairman of Internationale Nederlanden Groep (ING), the Dutch banking and insurance group, resigned unexpectedly yesterday in response to reports in the Dutch press about the private investments of former senior executives from the group's banking arm.

Mr Scherpenhuijsen Rom, who took over as ING's chairman just 12 weeks ago, said he was stepping down because he had increasingly become the focus of negative press publicity in the Netherlands.

His successor in one of the Netherlands' top financial posts is Mr Aad Jacobs, who until now was vice-chairman and head of the group's insurance operations.

Mr Scherpenhuijsen Rom decided to resign after weekend consultations with ING's supervisory board.

The move followed recent allegations in the press that he knew about the personal investments of Mr Ton Soetekow, who resigned from ING's board in the summer.

The newspaper De Volkskrant also reported on Saturday that Mr Scherpenhuijsen had made private investments in the late 1970s in a small property company that had a banking relationship with NMB Bank, which he then chaired.

An ING spokesman said that Mr Scherpenhuijsen Rom's property investment was ended in 1981. The investment was legal but Mr Scherpenhuijsen Rom pulled out after a few years when the Dutch financial community began debating the propriety of bankers' investing in clients, the spokesman said.

This summer, four former senior executives at NMB Bank, which has since been renamed ING Bank, resigned or retired early.

Last week ING announced that it wanted to buy a 6.72 stake in Banque Bruxelles Lambert (BBL) as a first step towards a full friendly bid for BBL, Belgium's second largest bank.

Groupe Bruxelles Lambert (GBL), the Belgian holding company, which owns a direct stake in BBL of 13 per cent and indirectly controls a further 11 per cent, said it would not block the purchase.

ING, which already has an indirect 10.03 per cent stake in BBL, will make a final decision on the bid by mid-October.

Lord Hanson to put son on board

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, is planning to promote Mr Robert Hanson, son of its chairman, Lord Hanson, on to its board as a director.

The move is part of a number of proposed board changes to be announced by the end of the month.

Mr Hanson, aged 31, who is currently an associate director, joined the group in 1990 from NM Rothschild, the investment bank which advises Hanson.

He is expected to be appointed to the board along with Mr Graham Dransfield, aged 40, Hanson's senior solicitor, who joined the group in 1982.

Mr Alan Hagdrup, aged 59, a director since 1974, is expected to step down from the board.

One of Hanson's advisers yesterday confirmed the board changes.

"The decision to promote Mr Hanson has been taken by the senior directors of the group and not just by his father."

If appointed, Mr Hanson will be by far the youngest director.

Mr John Raos, aged 42, who is chief operating officer of Hanson Industries, the US arm of Hanson, is the youngest member of the board.

The board appointments still have to be ratified by the non-executive members.

They are not expected to oppose the moves.

The appointments will then go to shareholders for ratification.

Mr Hanson has been part of the conglomerate's acquisition team reporting to the vice-chairmen, Mr Martin Taylor and Mr Derek Rosling.

Lord Hanson

Sears sheds menswear side with sale of Fosters stores

By Jane Fuller in London

SEARS, the group behind such UK high street names as Wallis, Dolcis and Olympus, is shedding its menswear division with the sale of Fosters and Your Price.

This is the latest move by Mr Liam Strong, Sears' chief executive, who has been reviewing all parts of the poorly-performing retail business since his arrival from British Airways in February. Last year, Sears made a pre-tax profit of only £81.2m ($143.72m) on sales of nearly £2bn from roughly 3,700 outlets.

Mr Strong said the menswear business was small and "was not going to be an area of significant profit growth". The group intended to "concentrate on areas where we have or can build market leadership".

Fosters' management, headed by Mr David Carter Johnson, is paying £1 for the fittings, stock and other working capital. Sears will face an extraordinary charge of £82m, of which £42m is a write-off of goodwill related to a change in accountancy rules on acquisitions.

The cash cost to Sears is £18m in professionals' fees, redundancy costs, the purchase of preference shares in Fosters and eliminating liabilities. It said it was shedding a business that had cost £30m over the past 2½ years. Last year's trading losses were £9m on sales of £128m. So far this year it has lost nearly £11m more.

The Fosters business, with 340 outlets, has 2.5 per cent of a UK menswear market laid low by recession. Verdict, a market research organisation specialising in the retail sector, said the men's and boyswear market contracted 9 per cent last year, and nearly 4 per cent in both 1989 and 1990. This year is also expected to be poor.

Menswear has always been a small part of Sears, which includes the Selfridges department store, womens fashion and childrenswear and the Freemans mail order operation.

Mr Carter Johnson has already spent 18 months trying to turn Fosters round. The Your Price stores would either be converted into Fosters shops or closed.

The management buy-out is being backed by Hambro European Ventures.

Lex, Page 20;
Observer, Page 19

Broking helps MAI to 7% rise

By Jane Fuller

MAI, the UK-based financial services group headed by Lord Hollick, the Labour peer, increased its pre-tax profit by 7 per cent to £71.2m ($126m) in the year to June 30.

Growth came mainly from money and securities broking, which accounted for two-thirds of group sales, and from the much smaller information division, which includes the NOP market research organisation.

With £100m cash in hand, interest income rose from £7.9m to £10.4m.

Lord Hollick, managing director, said the year-end cash position was unchanged in spite of capital spending of £62m, up from £24m the previous year.

Operating profit from the main part of the business grew by £9.6m to £55.2m on turnover of £389m, up from £361.5m.

But a disappointing result from Avenir, the French media business in which it has reduced its stake to 15.5 per cent, dragged down the proceeds from associates.

Wholesale broking contributed £44m to operating profit, up 11 per cent.

Lord Hollick said the US wing had done particularly well in money broking and corporate bonds. The reduction in dollar interest rates had stimulated activity.

The weaker pound would help MAI's earnings this year.

"With nearly 50 per cent of our profits in US dollars, we were having to peddle very fast to stay abreast."

The group would also benefit from the recent high level of activity in the money markets.

"A reduction in European interest rates would also help the markets", he said.

Earnings per share rose to 13.7p, from 12.6p.

A final dividend of 4.6p makes a total of 6p.

Lex, Page 20

YSL turns in sharp fall midway

By Alice Rawsthorn

YVES Saint Laurent (YSL), one of the most famous Paris fashion houses, suffered a sharp fall in net profits from FFr41m in the first half of 1991 to FFr2.6m ($506,000) in the same period this year, reflecting the depressed state of the global luxury goods market.

The company stressed that the first half was traditionally the slackest part of its year, given that the bulk of its perfume sales were made during the Christmas season. However YSL, like its rivals, had also been hit by the economic instability of Japan and North America, and by the slowdown in western Europe.

Turnover rose by 6.8 per cent to FFr1.39bn during the interim period due to the contribution of the new YSL skin care range. However the cost of marketing the range – in an advertising campaign devised by Jean-Paul Mondino, a leading stylist – eroded operating profits, which fell from FFr130.6m to FFr94.9m.

The skin care range is expected to make a positive contribution to profits from next year onwards. The group, plans in late 1993 to launch a new women's scent.

Club Med warns profits forecast will not be met

By Alice Rawsthorn in Paris

CLUB Mediterranée, the leading French holiday and leisure group, yesterday warned that it may not be able to meet its profit forecast for 1992 because of an unexpectedly steep fall in profits from its US subsidiary.

Earlier this summer, Mr Gilbert Trigano, chairman of Club Med, predicted that the group would bounce back into the black with net profits of around FFr240m ($44.44m) for the year ending October, after a FFr17m loss last year.

However, Club Med Inc, the US company which is 72 per cent owned by the French group, yesterday announced a 21 per cent fall in net profits from $27.8m to $21.9m on stable sales of $105m for the first nine months of 1992.

The US business, which owns 25 holiday villages and a cruise ship, made a loss in the third quarter of the year. It has been hit by higher transport costs and retail price inflation, but also by the impact of the dollar's decline against the franc.

Club Med said in Paris yesterday that the problems of the US company meant that it would not meet its own FFr240m profit forecast this year. However, it stressed that it would still be profitable. Last year, Club Med, like other holiday companies, was badly affected by the impact of the Gulf war on travel.

The group, which recently launched a FFr1bn bond issue to finance the expansion and renovation of its holiday villages, earlier this month reported a return to profits for the first half with a credit of FFr20.3m for the six months to April 30, compared with a net loss of FFr87.5m for the same period in the previous year.

● Avenir Havas Media, the subsidiary of the Havas media group specialising in poster advertising and free newspapers, yesterday announced a sharp 74.4 per cent fall in interim net profits to FFr21.4m on sales which slipped by 2.8 per cent to FFr3.26bn.

Swedish bank's future on the line

Sara Webb examines the options which Gota Bank is considering

MR PER Lundberg has had a baptism of fire. Since taking over as managing director of Gota Bank, Sweden's fourth-largest commercial bank, at the beginning of September, he has had to turn to the government and the central bank for help in sorting out the bank's financial woes. Now a question mark hangs over the form in which Gota Bank will continue to operate – whether it will survive under its own name or be forced to merge with another banking group.

Last week, Gota Bank announced that credit losses for 1992 would reach SKr8bn ($1.4bn) – or double its previous estimate. Non-performing loans (defined as those where no interest has been paid for 60 days or where the interest payment is less than originally agreed with the bank) have escalated to SKr20bn, compared with about SKr10bn at the start of the year, out of a total loan portfolio of SKr70bn. As a result, the bank expects to see an operating loss of between SKr3bn and SKr4bn this year.

Sweden's centre-right government has promised to guarantee Gota Bank's commitments to private individuals, companies and all other creditors and counterparties. The Riksbank, Sweden's central bank, also promised to continue normal dealings with the bank, ensuring that Gota Bank has access to the liquidity required.

However, the bank's management and owner must prepare to discuss Gota Bank's future with officials from the finance ministry. So far, two possible options have emerged:

● To place the bad debts in the separate company, leaving the relatively healthy parts of Gota Bank to continue as a normal bank.

Mr Lundberg says that Gota Bank has already started to place its non-performing loans – of which about 85 per cent are related to the troubled real estate sector – in a separate division. The bank hopes that the government will step in to reduce the financial burden, possibly with the division containing the non-performing loans being spun off and receiving an injection of funds from the government.

The plan is broadly similar to the rescue seen at Nordbanken, another Swedish bank which is in the process of transferring its bad debts to a new company called Securum that will be capitalised with state funds. However, some of the other Swedish commercial banks have complained that it is unfair for the government to take bad debts off Gota Bank's hands when nearly every bank has been hit by heavy credit losses and exposure to the property sector.

● To find a new owner or shareholder for Gota Bank.

Gota Bank is 100 per cent owned by a holding company called Gota, which in turn is owned by Trygg Hansa SPP Holding, an insurance group. Trygg Hansa SPP originally thought its stake in Gota would help to boost its own position in the financial services sector as the insurance group hoped to sell its products through Gota Bank's large branch network.

Per Lundberg: has had to turn to the government

However, as Gota Bank's financial difficulties grew more acute, Trygg Hansa SPP was forced to provide financial support and acquire the whole of the Gota group.

If Trygg Hansa SPP is to benefit from selling its insurance-linked products through the bank's network, it will probably have to remain as a shareholder in Gota, although it could reduce its stake if another bank or insurance group were to come in as a shareholder in the Gota group.

One solution being considered is for a foreign bank to take a stake in the Gota group as a way of gaining a presence in the Swedish market. However, foreign bankers are likely to be wary: those foreign banks which won government approval to set up subsidiaries in Sweden have found the banking climate tough, and some pulled out because of the losses incurred.

In the absence of a foreign suitor, it is possible that Gota will be merged with another Swedish bank – with the state-owned Nordbanken topping the list of likely candidates.

Gota Bank's bad debts could then be combined with those of Nordbanken (in the separate company Securum) and Trygg Hansa SPP could then take a stake in the combined banking group, with the state as the other main shareholder.

The government has already said it is keen to privatise Nordbanken as soon as the bank returns to profitability – and some bankers point out bringing Trygg Hansa SPP in as a shareholder in a newly-merged Gota/Nordbanken group could provide the first step towards achieving that goal.

Lufthansa expects to cut losses in second half

By Andrew Fisher in Frankfurt

LUFTHANSA, the struggling German airline which is shedding staff to help stem heavy losses, said yesterday that its second-half loss should be much lower than in the first half as a result of improved business and capacity cuts.

It also intends to operate a less conservative depreciation policy, which will save around DM350m ($233.30m) this year. Total depreciation in 1991 was nearly DM1.4bn, with a further DM735m in the first half of 1992.

The airline has already announced a pre-tax loss of DM542m for the first six months, up from DM331m in the same period of last year.

Lufthansa said the decision to take aircraft out of service and reduce jobs – by 6,000 over the next two years after cutting 1,800 this year – would have an increasing impact in the second half.

The company said the traffic performance in July had improved further, with bookings for the period to end-October also rising.

While most experts tended to be pessimistic about the overall economic outlook for the second half, Lufthansa expects a modest economic upturn in its US business.

Lufthansa, in which the German state has a 51 per cent stake, said results should also be improved by its decision to operate a less conservative depreciation policy.

In future, Lufthansa will write down aircraft over 12 years to a residual value of 15 per cent. Previously, its depreciation period has been 10 years to 5 per cent of the original value. This will decrease the annual depreciation rate from 9.5 per cent to 7.1 per cent.

The airline said savings from its new and simplified Lufthansa Express division, which will take over eight busy domestic flights this winter and more German and European flights next spring, would initially total DM90m a year.

Lufthansa Express will have quicker check-ins, a less complicated route structure, and two-class seating only.

The formation of this lower-cost unit was part of the package of job cuts, fleet reductions, and trimming of the route network announced three weeks ago. Unions agreed to a pay freeze and more flexible working conditions.

Nike improves but disappoints Wall St

By Karen Zagor in New York

NIKE, the US sports shoe and apparel maker, yesterday reported an improvement in first-quarter profits, although the results disappointed Wall Street, which marked down the shares. The company lifted net income to $122.6m, or $1.60 a share, a 7 per cent improvement from the $114.4m, or $1.50, reported a year earlier.

Although the earnings were strong in a difficult retail climate, analysts had been looking for earnings of about $1.70 a share. At mid-session, Nike's shares had slipped $¾ to $74¾.

During the quarter, revenues rose 16 per cent to $1.1bn from $947.2m.

Growth was led by international sales, which soared 44 per cent to $357.7m.

Excluding the impact of dollar translations, overseas revenues rose 32 per cent.

In contrast, domestic footwear and apparel revenues advanced only 5 per cent to $687.7m, while revenues from other brands jumped 30 per cent to $54.4m.

Orders for footwear and apparel scheduled for delivery between September 1992 and January 1993 rose 27 per cent to $1.36bn.

Mr Philip Knight, chairman, said the company had increased its spending on advertising during the Barcelona Olympics in the first quarter.

"Management strongly believe that these investments will add to Nike's momentum in key international markets and allow us to achieve out stated full-year earnings growth objective of 15 per cent," he said.

Nike's consolidated gross margin improved to 39.4 per cent, against 38.7 per cent the previous year.

Circle K profits rise to $8.2m for first quarter

By Karen Zagor

CIRCLE K, the Arizona-based convenience store chain which has been operating under Chapter 11 bankruptcy protection since 1990, yesterday turned in first-quarter operating profits of $8.2m, compared with $6.4m a year earlier.

The company, which has agreed to be acquired for about $402m by an investor group, CK Acquisitions, led by Bahrain-based Investcorp, said it expected to file an amended reorganisation plan by the end of this month.

Investcorp's other US investments include Saks Fifth Avenue and Tiffany's.

The company suffered a net loss of $2.7m, or 10 cents a share, in the quarter, reflecting the costs associated with its reorganisation. A year earlier, Circle K recorded a net loss of $500,000 or 5 cents a share.

Mr Bart Brown, chairman, said: "Given the costs and complications associated with the Chapter 11 process, we are pleased with these first-quarter results."

Circle K, which operates about 3,400 convenience stores in 32 states, said same-store average merchandise sales rose about 9.1 per cent in the quarter. Comparable gasoline gallon sales advanced 8.5 per cent from the previous year.

CS Holding falls 11% to SFr534m at halfway

By Ian Rodger in Zurich

CS HOLDING, the holding company for Crédit Suisse and other financial and industrial companies, suffered an 11 per cent decline in consolidated net earnings to SFr534m ($407.60m) in the first half, mainly because of increased provisions for bad debts.

Mr Rainer Gut, chairman, said the group's aim was to maintain earnings at last year's level, a downward revision from his last statement in April anticipating "further improvement" this year.

Gross income for the first half jumped 13 per cent to SFr4.5bn, due mainly to a 36 per cent rise in commission income supplied largely by Crédit Suisse and the CS First Boston group. Trading income was up 6 per cent to SFr1.26bn and interest income was flat at SFr1.36bn.

Pre-tax profit was ahead 5 per cent to SFr1.8bn but provisions for bad debts, arising from the weak Swiss economy and the Canary Wharf bankruptcy in London, rose 11 per cent to SFr827m. The group tax bill jumped 30 per cent to SFr351m after the elimination of tax losses carried forward at CS First Boston.

The group's total assets at June 30 were up 9 per cent to SFr241bn, with CS First Boston's trading activities contributing significantly.

Toyota denies finalising $46m stake in Indonesia's Astra

By William Keeling in Jakarta

TOYOTA MOTOR of Japan has denied agreeing to buy into Astra International, Indonesia's main vehicle manufacturer.

The denial followed an announcement by Astra on Friday – restated yesterday – that Toyota is to acquire about 4 per cent of the company in a deal worth about US$46m.

Toyota said yesterday: "It is not a fact that we have agreed to the investment as cited by Astra" – although approaches made by Astra were under consideration. It added: "We will do what is necessary to ensure that our relationship [with Astra] will be successful."

Last year, Astra, which has a 54 per cent market share of vehicle sales in Indonesia, sold 142,824 units, with Toyota models accounting for 53 per cent of the company's sales.

Astra intends to bring in a consortium of foreign shareholders following a decision by the Soeryadjaya family, which owns 76 per cent of Astra, to sell down its holding to raise finance for its troubled Summa Group. Brokers estimate the family must raise over $350m. Astra, with a market capitalisation of $1.2bn, is reported also to have held talks with General Electric of the US and Temasek of Singapore.

Mr Sumitro Djojohadikusomo, chairman of Astra, said Toyota would acquire 16 per cent of the shares to be sold by the Soeryadjayas – a 4 per cent stake. Astra said yesterday it would name other international shareholders this month and details of the deals by December. Last week, Astra announced a 67 per cent fall in net profits for the first half.

More feelers out for international syndicated loans

Sara Webb assesses European states' options for supporting their currencies if market turbulence persists

CONTINUED tension within the exchange rate mechanism of the European Monetary System may force some European countries to follow the example of the UK and Sweden, both of which tapped the international syndicated loans market earlier this month to support their domestic currencies.

Following the turbulence in the financial markets last week, other sovereign borrowers are understood to be looking at ways of raising finance at short notice in case further bouts of currency speculation occur.

Since Sunday's referendum in France on economic and monetary union, some European currencies have come under pressure again in the foreign exchange markets. The French franc, Irish punt and Italian lira (which has been suspended from the ERM) came under most pressure, with the Spanish peseta and Danish krone suffering more modestly yesterday.

On September 3, the UK government announced plans to borrow Ecu10bn in D-Marks and a range of other currencies, using the money to support sterling and to fund government spending. The Ecu10bn consists of an Ecu5bn three-year multi-currency revolving credit facility and a longer-term multi-currency note issue programme. It is expected that the first tranche – the Ecu5bn revolving credit facility – will be fully drawn within the next few days.

A week after the UK announcement, Sweden arranged an Ecu8bn syndicated credit as part of the central bank's Ecu16bn programme to bolster the krona and crush rumours that the Swedish currency was about to be devalued, while Mr Bengt Dennis, governor of the central bank, pushed the marginal lending rate up to 500 per cent to halt currency speculation. The syndicated facility consists of an Ecu3bn 364-day loan and an Ecu5bn three-year multi-currency revolving credit.

Bankers cite Italy, Spain, France, Denmark and Ireland – whose currencies have all come under pressure in recent days – as the obvious candidates for such borrowings.

Of them, Spain is understood to have fairly substantial foreign exchange reserves which have not been too depleted by recent market turmoil. Spain launched a $1.5bn seven-year Eurobond last week which is expected to be be priced today. The borrowing is part of Spain's general borrowing programme to fund its public sector deficit, but the proceeds will help to build up Spain's foreign currency reserves.

Bengt Dennis: pushed Swedish marginal rate to 500 per cent to halt currency speculation Picture by Terry Kirk

France, whose currency came under further pressure yesterday, had foreign exchange reserves of $30.5bn in June, the most recent figures available. Mr Jim O'Neill, economist at Swiss Bank Corporation, points out that France would probably be more likely to use the combination of intervention and higher interest rates to protect the currency than a syndicated credit facility. "Even if the French did choose the loan route, they would want to keep it quiet after seeing how dreadfully it backfired with the UK," he said.

In his view, the countries most likely to want to use the loan route to raise funds for intervention are Italy and Ireland. Italy's foreign exchange reserves were thought to be almost depleted last week when the lira was taken out of the ERM of the EMS.

Ironically, Italy is probably least likely to receive support from the international banking community. Many international banks were furious about Italy's handling of the situation with Efim, the state holding company which was put into voluntary liquidation in July. Lenders are still trying to negotiate the terms of repayment on Efim's substantial debts.

Ireland, which according to IMF figures had foreign exchange reserves of $4.97bn in July, could also consider a loan to help replenish reserves, especially if the currency comes under further pressure. However, Mr O'Neill believes Ireland would be more likely to raise interest rates to support the currency.

"There is a lot of talk of other potential borrowers in the loans market," according to a senior banker at one of the big US houses which specialises in sovereign borrowing. He emphasised, though, that at this stage the enquiries have mainly been concerned with which market to use if borrowing were to prove necessary.

Some bankers warn that European sovereign names could find it difficult to persuade banks to lend them the money. One banker said: "Even though they are zero risk-weighted names (from the point of capital adequacy requirements) the return is not that good, so you have to have good business reasons for doing such a deal." Most banks who participate in such deals would hope to compensate for the low return by winning other business.

For example, banks which participated in the loan to Sweden may hope to further their business interests by playing a role in the government's privatisation programme.

Borrowing in the syndicated loans market tends to be more expensive than in the bond market. However, it has the advantage of allowing more flexibility on when the loan is drawn, and a borrower can usually raise a larger amount and at shorter notice.

While European sovereign borrowers appear at this stage only to be making initial enquiries about raising funds some may be deterred by the UK's experience. The announcement of an Ecu10bn borrowing certainly helped to instill confidence in sterling at the time – but the effect was embarrassingly short-lived.

Air New Zealand stages strong recovery

By Terry Hall in Wellington

AIR New Zealand yesterday reported a strong recovery in net profits to NZ$121.16m (US$65.8m) for the year to June 30. This compares with NZ$19.97m for the previous 15 months.

The company turned operating losses of NZ$14.47m in the previous 15 months to profits of NZ$134.3m following what the directors said was a significant turnaround in core costs. This included a further cut in staff by 590 to 8,825 and was in spite of an 8 per cent rise in seat-kilometres flown.

Mr Bob Matthew, chairman, said wide-ranging changes in work practices had led to productivity improvements. Significant growth was achieved in international revenues, especially in Asia, Japan and Europe.

However, Mr Matthew said the growth was offset "by stubborn recessionary pressures" which hit sales in North America, Australia and New Zealand. Net yields remained under pressure on most routes, with the Tasman and the Atlantic routes suffering from "aggressive discounting by American-based and other carriers".

Mr Matthew said progress had been made in achieving a permanently lower cost base which would help Air NZ cope with recently-announced regulatory and structural changes in airline policy in Australia and New Zealand to be implemented over the next few years.

He said international conditions remained volatile and highly competitive and Air NZ's domestic market was yet to show a rise in trading volumes. The group's trading performance so far this year was "mixed", with earnings in line with expectations.

However, the directors were optimistic that the airline could continue its recovery towards "more acceptable" levels of profits.

Sales and other gross operating revenues rose 13.1 per cent to NZ$2.21bn. Abnormal items – relating to redundancy costs and the sale of the airline's Fokker Friendship fleet – showed losses of NZ$13.1m compared with profits of NZ$26.3m.

The directors are recommending a final dividend of 6 cents, making 10 cents for the year. This is 2 cents higher than forecast.

● Air NZ and Brierley Investments (BIL) are bidding for a strategic stake in Qantas Airways, the Australian government-owned airline, AP-DJ reports from Wellington.

Mr Matthew said his airline and BIL, a New Zealand hotel and investments concern, were carrying out a due diligence examination on Qantas.

Due diligence involves a detailed study by a potential suitor of a takeover target's financial accounts to assess its value.

A bidding process for the sale by the Australian government of a strategic stake in Qantas was likely to start "within the next few days," Mr Matthew said.

Qantas, Australia's national airline, is 100 per cent owned by the Australian government. But the government intends to sell up to 49 per cent of Qantas in a trade sale, and is looking for international airlines and other companies to obtain strategic shareholdings in Qantas.

The rest of Qantas will be sold through an initial public offering in Australia at a later date.

Japanese truck maker confirms Daf talks

By Robert Thomson in Tokyo

HINO MOTORS, Japan's leading truck maker, confirmed last night that it has held partnership talks with Daf, the Dutch commercial vehicle maker, but said the negotiations were part of broad-ranging contacts with truck makers in Europe and the US.

The Japanese company, bruised by the domestic economic slowdown, said it was negotiating "sales and production" joint ventures with international truck makers, but insisted that "nothing has been decided".

Hino, part of the Toyota Motor group, has been encouraged to broaden its international base by falling capital spending at home, which resulted in a 2.4 per cent decline in truck sales, by volume, for the first quarter beginning in April.

Domestic difficulties led Hino, which exports about 15 per cent of production, to forecast a 57 per cent fall to Y3bn ($24m) in pre-tax profit for the first half to end-September. The company said another reason for the fall, and a reason for it to expand overseas production, was a stronger-than-expected yen this year.

Japan's truck industry reported sharply increased sales during the late 1980s, when construction orders surged and companies were generally expanding capital investment.

Mandarin Oriental posts 10.3% increase in profits

By Simon Holberton in Hong Kong

MANDARIN Oriental International, the hotels arm of Jardine Matheson, yesterday reported a 10.3 per cent rise in net profits to $19.2m for the half-year to June, from $17.4m a year earlier.

The profits were struck on a 22.6 per cent rise in turnover to $72.5m from $59.1m. The directors declared an unchanged interim dividend of 1.41 cents a share.

Higher net interest charges and tax ate into net margins, reducing them to 26.4 per cent from 29.4 per cent. Gross margins were broadly unchanged.

The company said that the main factor behind the improved performance was the growth of travel both from within the Asia-Pacific region and from Europe.

These gains were, however, partly offset by continued weakness in US demand and increased competition from new hotels in Macao and Jakarta. In Bangkok, the abortive military coup in the second quarter hit occupancy severely.

The company said that its hotels in Hong Kong, Manila and Singapore improved their results year-on-year. Occupancy levels were higher but they were not able to increase prices.

Mr Simon Keswick, chairman, said the better performance of these hotels should enable the company to achieve profit growth for the year as a whole.

Jardine Strategic, an investment vehicle for the Jardine group, owns 50 per cent of Mandarin Oriental International.

Daewoo expected to buy GM side of joint venture

By John Burton in Seoul

DAEWOO, the South Korean conglomerate, is expected next month to end its auto manufacturing joint venture, Daewoo Motor, with General Motors (GM) by purchasing the US car maker's 50 per cent shareholding for an estimated $170m.

Daewoo and GM have been negotiating the terms of the joint venture's dissolution over the past year after disagreements surfaced over the future management of the troubled company.

Daewoo Motor, which is unlisted, has been overtaken by Kia Motors as South Korea's second largest vehicle maker and is suffering losses of about Won50bn ($64m) for the first half of 1992. Daewoo has been hurt by labour disputes and rising wages.

Daewoo and GM agreed to end the joint venture, formed in 1983, after GM refused to inject an extra $100m of capital into the company to expand production and develop overseas marketing.

Daewoo also wanted to end GM's exclusive right to sell Daewoo cars abroad. Daewoo Motor cars are produced under an agreement with GM.

Under the proposed settlement, Daewoo will be able to continue to use GM's sales network in the US and other countries, including Brazil and South Africa, and will continue to sell its cars elsewhere without restrictions.

Daewoo's purchase of GM's shareholding will be made in several instalments. Daewoo will take over complete ownership of Daewoo Motor, although it is negotiating with Nissan to replace GM as a possible joint venture partner.

Pacific Dunlop maintains payout on steady earnings

By Bruce Jacques in Sydney

PACIFIC Dunlop, the diversified Australian industrial company, has struggled through the recession almost unscathed, reporting operating profits little changed for the year to June.

The company's profit before abnormals fell by just under 1 per cent to A$217.7m (US$160m) from A$219.8m, on an 18 per cent rise in sales to A$5.91bn from A$5.02bn.

The directors recommended a maintained annual dividend of 21 cents a share, but it will be paid on capital increased by a A$663m rights issue during the year, lifting payout by 23 per cent to A$189m.

Mr John Gough, chairman, said the company had come through the worst recession in 60 years with increased competitiveness and a "creditable result".

"Until the last quarter, the recession continued to affect performance in most markets," he said. "Australia, New Zealand, the US and Europe all had depressed economies, with weak consumer and industrial demand.

"As the 1992 financial year ended, signs began appearing that the current year may be a little brighter. Each of the business groups is predicting no further deterioration in its markets, but realises that emerging from the recession is likely to be a long and uneven experience," he added.

Pacific Dunlop earned a net A$22.2m from the Petersville food group, which it acquired from Adsteam in August last year. This contributed to A$48m profits from the newly-formed Pacific Brands Food group.

The company's biggest earning division, however, remained building and construction, with profits easing to A$135m from A$158m. The biggest improvement in earnings came from South Pacific tyres division, up to A$30m from A$24m.

Pacific Dunlop also confirmed yesterday it would apply for regulatory approval to bid for New Zealand-based Wattie Foods. But it stressed it had not decided to proceed with a bid which would rival an offer from the US-based Heinz.

The rights issue during the year allowed Pacific Dunlop to reduce net interest marginally to A$66.9m from A$67.3m. But depreciation rose to A$187.9m from A$141.8m, and tax took A$91.9m compared with A$75.1m.

Magellan seeks to block Sagasco bid

By Bruce Jacques

MAGELLAN Petroleum Australia, the Australian gas producer, has sought a Supreme Court injunction to halt the unwanted A$122m (US$89.70m) bid from Sagasco Holdings, the quoted oil and gas group controlled by the government of South Australia.

Sagasco is itself subject to a A$560m bid from Santos, a petroleum rival.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 21, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.9731	39.1133	46.8713
Albania	(Lek)	188.65	110.193	74.3448	89.0909
Algeria	(Dinar)	35.95	20 9988	14.1674	16.9775
Andorra	(Fr Fr)	8.6675	5.0627	3.4157	4.0932
	(Sp Peseta)	178.15	104.06	70.2068	84.1322
Angola	(Kwanza)	1074.0	627.336	423.251	507.202
Antigua	(E Carr $)	4.6305	2.7047	1.8248	2.1867
Argentina	(Peso)	1.6930	0.9889	0.6671	0.7995
Aruba	(Florin)	3.07	1.7932	1.2098	1.4498
Australia	(Aus $)	2.3600	1.3785	0.93	1.1145
Austria	(Schilling)	17.905	10.4585	7.0561	8.4557
Azores	(Port Escudo)	219.00	127.921	86.3054	103.424
Bahamas	(Bahama $)	1.7120	1	0.6746	0.8085
Bahrain	(Dinar)	0.6525	0.3811	0.2571	0.3081
Balearic Is	(Sp Peseta)	178.15	104.06	70.2068	84.1322
Bangladesh	(Taka)	67.95	39.6904	26.7783	32.0897
Barbados	(Barb $)	3.4495	2.0148	1.3594	1.629
Belgium	(Belg Fr)	52.50	30.6658	20.6896	24.7933
Belize	(B $)	3.43	2.0035	1.3517	1.6198
Benin	(CFA Fr)	433.375	253.14	170.788	204.664
Bermuda	(Bermudian $)	1.7120	1	0.6746	0.8085
Bhutan	(Ngultrum)	48.30	28.2126	19.0344	22.8099
Bolivia	(Boliviano)	6 8430	3.997	2.6967	3.2316
Botswana	(Pula)	3.6335	2.1223	1.4319	1.7159
Brazil	(Cruzeiro)	9946.85	5810.08	3919.94	4697.45
Brunei	(Brunei $)	2.7400	1.6004	1.0798	1.2939
Bulgaria	(Lev)	43.00	25 1168	16.9458	20.3069
Burkino Faso	(CFA Fr)	433.375	253.14	170.788	204.664
Burma	(Kyat)	11.3075	6.6048	4.4561	5.34
Burundi	(Burundi Fr)	397.21	232.015	156.536	187.584
Cambodia	(Riel)	2572.50	1502.63	1013.79	1214.88
Cameroon	(CFA Fr)	433.375	253 14	170.788	204.664
Canada	(Canadian $)	2.1075	1.231	0.8305	0.9952
Canary Is	(Sp Peseta)	178.15	104.06	70.2068	84.1322
Cp. Verde	(CV Escudo)	107.75	62.938	42.463	50.8854
Cayman Is	(CI $)	1.4580	0.8516	0.5745	0.6885
Cent.Afr. Rep	(CFA Fr)	433.375	253.14	170.788	204.664
Chad	(CFA Fr)	433 375	253.14	170.788	204.664
Chile	(Chilean Peso)	654.25	382.155	257.833	308.973
China	(Renminbi Yuan)	9.5840	5.5981	3.7769	4.526
Colombia	(Col Peso)	1097.25	640.917	432.414	518.182
CIS	(Rouble)	1.0587o	0.6183	0.4172	0.4999
		359.93m	210.239	141.844	169.979
Comoros	(CFA Fr)	433.375	253.14	170.788	204.664
Congo (Brazz)	(CFA Fr)	433.375	253.14	170.788	204.664
Costa Rica	(Colon)	232.40	135.748	91.5862	109.752
Côte d'Ivoire	(CFA Fr)	433.375	253.14	170.788	204.664
Cuba	(Cuban Peso)	1.2990	0.7587	0.5119	0.6134
Cyprus	(Cyprus £)	0.7720	0.4509	0.3042	0.3645
Czechoslovakia	(Koruna)	47.07c	27.4941	18.5497	22.229
		45.24k	26.4252	17.8285	21.3648
Denmark	(Danish Kroner)	9.8900	5.7768	3.8975	4.6706
Djibouti Rep	(Djib Fr)	294.0	171.729	115.862	138.843
Dominica	(E Carrib $)	4.6305	2.7047	1.8248	2.1867
Dominican Rep	(D Peso)	22.295	13 0227	8.7862	10.5289
Ecuador	(Sucre)	3172.75o	1853.24	1250.34	1498.35
		3232.75a	1888.29	1273.99	1526.68
Egypt	(Egyptian £)	5.6760	3.3154	2.2368	2.6805
El Salvador	(Colon)	14.6290	8.5449	5.7651	6.9086
Equat'l Guinea	(CFA Fr)	433.375	253.14	170.788	204.664
Ethiopia	(Ethiopian Birr)	3.5120	2.0514	1.384	1.6585
Falkland Is	(Falk £)	1.00	0.5841	0.394	0.4722
Faroe Is	(Danish Kroner)	9.8900	5.7768	3.8975	4.6706
Fiji Is	(Fiji $)	2.5570	1.4935	1.0076	1.2075
Finland	(Markka)	7.8750	4.5998	3.1034	3.719
France	(Fr)	8.6675	5.0627	3.4157	4.0932
Fr. Cty/Africa	(CFA Fr)	433.375	253.14	170.788	204.664
Fr. Guiana	(Local Fr)	8.6675	5.0627	3.4157	4.0932
Fr. Pacific Is	(CFP Fr)	157.0	91.7056	61.8719	74.144
Gabon	(CFA Fr)	433.375	253.14	170.788	204.664
Gambia	(Dalasi)	14.4575	8.4448	5.6975	6.8276
Germany	(D-Mark)	2.5375	1.4821	1	1.1983

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	927.50	541.764	365.517	438.017
Gibraltar	(Gib £)	1.00	0.5841	0.394	0.4722
Greece	(Drachma)	324.55	189.574	127.901	153.27
Greenland	(Danish Krone)	9.8900	5.7768	3.8975	4.6706
Grenada	(E Carr $)	4.6305	2.7047	1.8248	2.1867
Guadaloupe	(Local Fr)	8.6675	5.0627	3.4157	4.0932
Guam	(US $)	1.7120	1	0.6746	0.8085
Guatemala	(Quetzal)	9.0760	5.3014	3.5767	4.2861
Guinea	(Fr)	1393.10	813.727	549.005	657.898
Guinea-Bissau	(Peso)	8575.0	5008.76	3379.31	4049.59
Guyana	(Guyanese $)	215.20	125.701	84.8078	101.629
Haiti	(Gourde)	17.15	5	6.7586	8.0991
Honduras	(Lempira)	9.5775	5.5943	3.7743	4.523
Hong Kong	(HK $)	13.1925	7.7058	5.199	6.2302
Hungary	(Forint)	135.95	79.41	53.5763	64.203
Iceland	(Icelandic Krona)	97.22	56.7873	38.3133	45.9126
India	(Indian Rupee)	48.30	28.2126	19.0344	22.8099
Indonesia	(Rupiah)	3550.25	2073.74	1399.11	1676.62
Iran	(Rial)	2716.0v	1586.45	1070.34	1282.64
		119.55o	69.8306	47.1133	56.458
Iraq	(Iraqi Dinar)	0.5936	0.3467	0.2339	0.2803
Irish Rep	(Punt)	0.9760	0.57	0.3846	0.4609
Israel	(Shekel)	4.2590	2.4877	1.6784	2.0113
Italy	(Lira)	2144.75	1252.77	845.222	1012.87
Jamaica	(Jamaican $)	37.75	22.0502	14.8768	17.8276
Japan	(Yen)	211.75	123.686	83.4482	100
Jordan	(Jordanian Dinar)	1.1255	0.6574	0.4435	0.5315
Kenya	(Kenya Shilling)	59.0820	34.5105	23.2835	27.9017
Kiribati	(Australian $)	2.3600	1.3785	0.93	1.1145
Korea North	(Won)	3.6810	2.1501	1.4506	1.7383
Korea South	(Won)	1359.30	793.984	535.685	641.936
Kuwait	(Kuwaiti Dinar)	0.50250	0.2935	0.198	0.2373
Laos	(New Kip)	1226.20	716.238	483.232	579.079
Lebanon	(Lebanese £)	4092.0	2390.19	1612.61	1932.47
Lesotho	(Maluti)	4.8600	2.8387	1.9152	2.2951
Liberia	(Liberian $)	1.7120	1	0.6746	0.8085
Libya	(Libyan Dinar)	0.4608	0.2691	0.1815	0.2176
Liechtenstein	(Swiss Fr)	2.2275	1.3011	0.8778	1.0519
Luxembourg	(Lux Fr)	52.50	30.6658	20.6896	24.7933
Macao	(Pataca)	13.6925	7.9979	5.396	6.4663
Madagascar	(MG Fr)	2792.0	1630.84	1100.3	1318.54
Madeira	(Port Escudo)	219.00	127.921	86.3054	103.424
Malawi	(Kwacha)	6.9070	4.0344	2.7219	3.2618
Malaysia	(Ringgit)	4.2925	2.5073	1.6916	2.0271
Maldive Is	(Rufiya)	18.7705	10.964	7.3972	8.8644
Mali Rep	(CFA Fr)	433.375	253.14	170.788	204.664
Malta	(Maltese £)	0.5457	0.3187	0.215	0 2577
Martinique	(Local Fr)	8.6675	5.0627	3.4157	4.0932
Mauritania	(Ouguiya)	130.45	76.1974	51.4088	61.6056
Mauritius	(Maur Rupee)	26.0680	15.2266	10.2731	12.3107
Mexico	(Mexican Peso)	5131.25	2997.23	2022.17	2423.26
Miquelon	(Local Fr)	8.6675	5.0627	3.4157	4.0932
Monaco	(French Fr)	8.6675	5.0627	3.4157	4.0932
Mongolia	(Tugrik)	68.60	40.07	27.0344	32.3966
Montserrat	(E Carr $)	4.6305	2.7047	1.8248	2.1867
Morocco	(Dirham)	13.5320	7.9042	5.3328	6.3905
Mozambique	(Metical)	4681.20	2734.35	1844.81	2210.72
Namibia	(S A Rand)	4.8600	2.8387	1.9152	2.2951
Nauru Is	(Australian $)	2.3600	1.3785	0.93	1.1145
Nepal	(Nepalese Rupee)	79.9705	46.7117	31.5154	37.7664
Netherlands	(Guilder)	2.8575	1.6691	1.1261	1.3494
N'nd Antilles	(A/Guilder)	3.07	1.7932	1.2098	1.4498
New Zealand	(NZ $)	3.1760	1.8551	1.2516	1.4998
Nicaragua	(Gold Cordoba)	9.2365	5.3893	3.636	4.3572
Niger Rep	(CFA Fr)	433.375	253.14	170.788	204.664
Nigeria	(Naira)	31.6245	18.45	12.4628	14.9348
Norway	(Nor. Krone)	10.2900	6.0105	4 0551	4.8595
Oman	(Rial Omani)	0.6661	0.389	0.2625	0.3145

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	42.80	25	16.8669	20.2125
Panama	(Balboa)	1.7120	1	0.6746	0.8085
Papua New Guinea	(Kina)	1.6445	0.9605	0.648	0.7766
Paraguay	(Guarani)	2632.50	1537.68	1037.44	1243.21
Peru	(New Sol)	2.42	1.4135	0.9536	1.1428
Philippines	(Peso)	41.75	24.3866	16.4532	19.7166
Pitcairn Is	(£ Sterling)	1.00	0.5841	0.394	0.4722
	(NZ $)	3.1760	1.8551	1.2516	1.4998
Poland	(Zloty)	24778.0	14473.1	9764.73	11701.5
Portugal	(Escudo)	219.00	127.921	86.3054	103.424
Puerto Rico	(US $)	1.7120	1	0.6746	0.8085
Qatar	(Riyal)	6.2975	3.6784	2.4817	2.974
Reunion Is. de la	(F/Fr)	8.6675	5.0627	3.4157	4.0932
Romania	(Leu)	704.89q	411.735	277 789	332.888
Rwanda	(Fr)	271.08	158.341	106.83	128.019
St Christopher	(E Carr $)	4.6305	2.7047	1.8248	2.1867
St Helena	(£)	1.00	0.5841	0.394	0.4722
St Lucia	(E Carr $)	4.6305	2.7047	1.8248	2.1867
St Pierre	(French Fr)	8.6675	5.0627	3.4157	4.0932
St Vincent	(E Carr $)	4.6305	2.7047	1.8248	2.1867
San Marino	(Italian Lira)	2144.75	1252.77	845.222	1012.87
Sao Tome	(Dobra)	411.60	240.421	162.207	194.38
Saudi Arabia	(Riyal)	6.4880	3.7897	2.5568	3.0639
Senegal	(CFA Fr)	433.375	253.14	170.788	204.664
Seychelles	(Rupee)	8.6265	5.0388	3.3996	4.0739
Sierra Leone	(Leone)	848.90	495.853	334.542	400.897
Singapore	($)	2.7400	1.6004	1.0798	1.2939
Solomon Is	($)	5.0535	2.9518	1.9915	2.3865
Somali Rep	(Shilling)	4495.50	2625.88	1771.63	2123.02
South Africa	(Rand)	4.8600c	2.8387	1.9152	2.2951
		6.8895g	4.0242	2.715	3.2536
Spain	(Peseta)	178.15	104.06	70 2068	84.1322
Spanish Ports in N Africa	(Sp Peseta)	178.15	104.06	70.2068	84.1322
Sri Lanka	(Rupee)	75.45	44.0712	29.7339	35.6316
Sudan Rep	(Dinar)	17.15	10.0175	6.7586	8.0991
Surinam	(Guilder)	3.0615	1.7882	1.2065	1.4458
Swaziland	(Lilangeni)	4.8600	2.8387	1.9152	2.2951
Sweden	(Krona)	9.5100	5.5549	3.7477	4.4911
Switzerland	(Fr)	2.2275	1.3011	0.8778	1.0519
Syria	(£)	36.015	21.0367	14.1931	17.0082
Taiwan	($)	43.425	25.365	17.1133	20.5076
Tanzania	(Shilling)	548.10	320.152	216	258.843
Thailand	(Baht)	43.25	25.2628	17.0443	20.425
Togo Rep	(CFA Fr)	433.375	253.14	170.788	204.664
Tonga Is	(Pa Anga)	2.3600	1.3785	0.93	1.1145
Trinidad/Tobago	($)	7.2890	4.2575	2.8725	3.4422
Tunisia	(Dinar)	1.4695	0.8583	0.5791	0.6939
Turkey	(Lira)	13119 50	7663.26	5170.25	6195.75
Turks & Caicos	(US $)	1.7120	1	0.6746	0.8085
Tuvalu	(Australian $)	2.3600	1.3785	0.93	1.1145
Uganda	(New Shilling)	1946.50	1136.97	767.094	919.244
U A E	(Dirham)	6.3535	3.7111	2.5038	3.0004
United Kingdom	(£)	1.00	0.5841	0.394	0.4722
United States	(US $)	1.7120	1	0 6746	0.8085
Uruguay	(Peso)	5765.95	3367.96	2272.3	2723
Vanuatu	(Vatu)	191.20	111.682	75.3497	90.2951
Vatican	(Lira)	2144.75	1252.77	845.222	1012.87
Venezuela	(Bolivar)	118.55	69.2464	46.7192	55.9858
Vietnam	(Dong)	18693.50	10919 1	7366.9	8828.1
Virgin Is-British	(US $)	1.7120	1	0.6746	0.8085
Virgin Is-US	(US $)	1.7120	1	0.6746	0.8085
Western Samoa	(Tala)	4.19	2.4474	1.6512	1.9787
Yemen (Rep of)	(Rial)	28.2975	16 5289	11.1517	13.3636
Yemen (Rep of)	(Dinar)	0.7992	0.4668	0.3149	0.3774
Yugoslavia	(New Dinar)	343.00	200.35	135.172	161.983
Zaire Rep	(Zaire)	1550000.0	905374	610837	731995
Zambia	(Kwacha)	327.55	191.326	129.084	154.687
Zimbabwe	($)	8 9525	5.2292	3.528	4.2278

Special Drawing Rights September 18, 1992 United Kingdom £0.817207 United States $1.42766 Germany D Mark 2.14035 Japan Yen177.558
European Currency Unit Rates September 21, 1992 United Kingdom £0.774539 United States $1.33128 Germany D Mark 1.97894 Japan Yen165.172

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, September 21, 1992

INTERNATIONAL CAPITAL MARKETS

Markets weaken on narrow result in referendum

By Simon London and Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets weakened yesterday on disappointment that the French referendum on the Maastricht treaty had resulted in only a narrow majority in favour.

GOVERNMENT BONDS

The result was seen as prolonging uncertainty over the future course of European monetary union and did little to ease tensions within the exchange rate mechanism.

French government bonds fell 1¼ points from the peaks on Sunday night in the immediate aftermath of the vote. However, 10-year bonds finished only marginally down on Friday's closing levels.

The 10-year benchmark bond closed on a yield of 8.62 per cent, from 8.57 per cent on Friday. The narrow margin in favour of Maastricht left the franc under pressure on the foreign exchange markets and investors remained nervous that the French currency could still be devalued within the ERM. The franc closed at FFr3.42 against the German currency, against a floor in the ERM of FFr3.4305.

The Bank of France left its money market intervention rate unchanged at 9.6 per cent. Some traders had been anticipating a small cut in rates if the referendum resulted in a vote in favour of Maastricht. However, any easing of monetary conditions is unlikely until the franc climbs further above its ERM floor.

■ GERMAN government bonds traded lower as the French referendum result killed off hopes of an interest rate cut by the Bundesbank.

Traders said the bund market had been overbought at the end of last week on hopes of an easing in German rates. If France had rejected European economic and monetary union on Sunday, the Bundesbank might have lowered rates to help support the French Franc.

However, given the small majority in favour of the Maastricht treaty, the Bundesbank looks less likely to lower interest rates. Bunds suffered heavy selling pressure, especially longer-dated issues, resulting in a flattening of the yield curve.

Mr Helmut Schlesinger, president of the Bundesbank, told reporters in Washington that the central bank's policy-making council would review German interest rates at its meeting next week, but dealers remained sceptical about whether this would lead to an easing. The Bundesbank cut its discount and Lombard rates at the beginning of last week to reduce tensions in the ERM.

The bund futures contract opened at 90.75 and fell to a low of 90.41 before ending at around 90.72. Traders said the market will be watching the August money supply figures which are due to be released this week. M3 money supply for August is expected to show growth of about 8.5 per cent, unchanged on the July figure.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.9898	-0.253	8.94	8.90	8.39
BELGIUM		8.750	06/02	100 7000	-0.100	8.63	8.52	8 97
CANADA *		8.500	04/02	104.2300	-1.650	7.87	7.29	7.38
DENMARK		9 000	11/00	98.1750	-0.375	9.32	9.31	9.69
FRANCE	BTAN	8.500	03/97	98.7459	-0.142	8.82	9 01	9.48
	OAT	8 600	11/02	99.0950	-0.335	8.63	8.65	8.98
GERMANY		8.000	07/02	103.3370	-0 488	7.51	7.61	7.91
ITALY		12.000	05/02	91.9000	-0.090	13.98†	13.78	13.61
JAPAN	No 119	4.800	06/99	99.7965	0.000	4 84	4.76	4.79
	No 145	5.500	03/02	103 7874	-0.169	4.92	4.85	4.94
NETHERLANDS		8.250	06/02	102.4500	-0.320	7.87	8.04	8.31
SPAIN		10.300	06/02	87.5000	-0.560	12.57	12.29	12 18
UK GILTS		10.000	11/96	103-28	+7/32	8.85	9 55	9 56
		8.750	08/02	103-28	-28/32	9.14	9.09	9.27
		9.000	10/08	98-04	-1 15/32	9.23	8.78	9.02
US TREASURY *		8.375	08/02	99-23	-2/32	6.41	6.61	6.58
		7.250	08/22	98-23	-13/32	7.35	7.42	7.38
ECU (French Govt)		8 500	03/02	95.1500	+0.200	9.28	9 15	9.35

London closing *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

■ UK GOVERNMENT bonds continued to rally at the shorter maturities yesterday, but gilts fell back sharply at the long end on fears of renewed inflationary pressures in the economy.

The 9 per cent bond maturing 2008, the benchmark long-dated gilt, fell over 1¼ points. The stock closed at 98 1/16 for a yield of 9.23 per cent. In contrast, the 12 per cent gilt maturing 1995 closed up ¼ of a point on the day for a yield of 8.6 per cent.

Analysts are anticipating Thursday's parliamentary debate on the economy, at which Mr Norman Lamont, the chancellor of the exchequer, is expected to outline plans for the future conduct of monetary policy. Mr Lamont has indicated that he would return to a policy based on the targeting of monetary aggregates rather than exchange rates.

In addition to fears about inflation, long-dated gilts prices were also depressed by fears that overseas investors will desert the market now that sterling is floating outside the ERM.

The government may have to fund the public sector borrowing requirement at higher yields if domestic institutions are the only substantial buyers of gilts.

The sharp rally in shorter maturity stocks since sterling was suspended from the exchange rate mechanism last Wednesday means that short-dated gilt yields are lower than long-dated yields for the first time since 1988, when base lending rates were cut briefly to 7½ per cent. The gilt yield curve was last "disinverted" for a protracted period in the early 1980s.

The rally in short-dated stocks reflects hopes that interest rates will be cut sharply to stimulate economic activity. The December short sterling contract on Liffe traded at around 91.65, implying base lending rates of 8.35 per cent by the year end against a current rate of 10 per cent. This view was also reflected in the interbank loans market, where three-month funds were trading at 9 7/16 – 9 5/16 per cent.

■ EUROPE'S traditional high-yielding markets – Spain and Italy – weakened on disappointment over the outcome of the French referendum.

The small Yes majority and resulting pressure on the French franc has dashed hopes of lower interest rates in France and Germany, which means that the Italian and Spanish currencies will remain under pressure. Dealers speculated that the lira would probably be devalued further before re-entering the exchange rate mechanism of the EMS.

■ SWEDISH government bonds fell sharply as the market ignored the government's sweeping austerity package – announced on Sunday – and the cut in the marginal lending rate yesterday from 500 per cent to 50 per cent.

Traders said the SKr40bn budget-cutting programme was viewed with some disappointment by the market, as the government had already publicised its intention to cut spending. Domestic and foreign investors took profits yesterday and yields closed higher.

Yields on three-month treasury bills climbed from 18 per cent to 27 per cent, while the yield on the 10.25 per cent bond due 2003 rose to 11.55 per cent from 10.75 per cent at Friday's close. Adding to the poor sentiment, yesterday's auction of nine-year bonds saw poor interest: SKr5.5bn of bonds were offered but only SKr5.23bn were sold.

■ UNCERTAINTY surrounding events in Europe in the wake of the French weekend vote and concern about this week's trial version of Dutch auctions in the sale of two and five-year notes left Treasury prices slightly lower across the board yesterday.

In late trading, the benchmark 30-year government issue was down 1/8 at 98 11/32, to yield 7.343 per cent. The two-year note was down ¼ at 100 13/32, to carry a yield of 3.861 per cent.

Although analysts had expected the markets to receive a boost if the French voted in favour of Maastricht, the close nature of the referendum, with 51 per cent voting Yes and 49 per cent No, failed to clear up the uncertainty surrounding the outlook for economic integration in Europe. Consequently, many investors chose to stay on the sidelines yesterday, and prices slipped lower in very light trading.

Market participants were also cautious ahead of the Treasury auctions, in which the government plans to experiment with a new method of selling its securities in which all bidders will receive their securities at a single price.

Little relief seen for investors after Maastricht vote

By Simon London

THE poor performance of French government bonds yesterday underlined that Sunday's narrow vote in favour of the Maastricht treaty will bring little early relief to bond market investors.

For the market to flourish, France must still succeed where the UK and Italy failed: defending its hard-pressed currency within the EMS while delivering lower interest rates demanded by a weak domestic economy.

The Bank of France certainly disappointed bond market optimists yesterday by keeping its money market intervention rate unchanged at 9.6 per cent, a level which has prevailed since December.

But the foreign exchange markets dictated that interest rates could not be cut.

The franc closed the day at FFr3.42 against the D-Mark, still too close to its EMS floor for any unilateral easing of interest rates. Indeed, the Bank of France was rumoured to have intervened in support of the franc.

"The credibility of the 'franc fort' policy remains under severe strain," commented Mr Philip Tyson, analyst at UBS Phillips & Drew in London.

The risk of a devaluation has already been partially factored into French government bond prices. The yield spread over German bonds at the benchmark 10-year maturity stood at 112 basis points at the close yesterday, from a low of 40 basis points at the start of this year and 58 basis points before Danish voters rejected Maastricht.

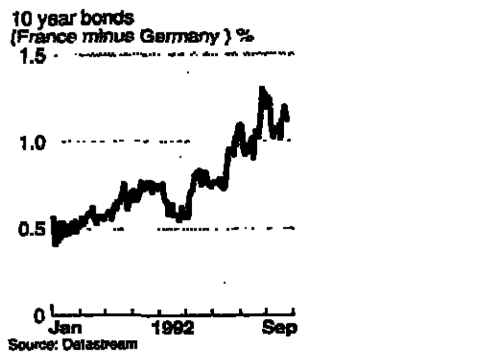
Analysts believe the French may be able to cut interest rates unilaterally by perhaps ¼ percentage point this year if pressure on the franc eases. But any further cuts will depend on the pace of interest rate reductions in Germany.

There is also a danger that politics will again unsettle the foreign exchange and bond markets in the run-up to parliamentary elections next spring.

The conservative parties which urged the French electorate to vote No on Sunday may be more likely to accept a devaluation as an unavoidable cost of lower interest rates.

Yield spread

10 year bonds (France minus Germany) %



Source: Datastream

Alternatively, the Socialist government may feel compelled to embark on a reflationary fiscal policy to combat high unemployment.

But, in spite of the risks, there are strong reasons to believe the franc can be defended. On most measures France offers better economic fundamentals even than Germany, boasting lower inflation and a lower budget deficit. In contrast to the UK, the French trade balance shows a healthy surplus.

The German government, in particular, has a strong political incentive to keep the franc within the system and keep France in the fast track towards a single currency. A devaluation of the franc would also be more damaging to German industry than a devaluation of sterling or the lira.

If a devaluation can be averted, logic dictates the yield spread between French and German government bonds should fall to the levels seen earlier this year.

Indeed, the yield spread could narrow to less than 40 basis points. After all, the current crisis could be an opportunity for Paris to build a valuable store of credibility, a commodity in short supply in London and Rome.

ERM strains overshadow Kingdom of Spain's $1.5bn issue

By Richard Waters

THE Kingdom of Spain's first venture into the US dollar sector of the international bond market was still receiving only lukewarm support for investors yesterday as attention remained focused on the fate of the European exchange rate mechanism.

INTERNATIONAL BONDS

The $1.5bn bond issue, launched last Tuesday as European markets lurched into crisis, is due to be priced today.

The issuer had hoped that stability would return to the markets following the French referendum on Sunday, but it seemed yesterday that Spain's offer was still likely to be overshadowed by events elsewhere.

The launch has been made all the more difficult by a widening of spreads in the bond market since the issue was launched. With little activity in the secondary market, dealers have tended to widen spreads in recent days.

The $2bn issue from Province of Ontario, brought last Monday at a spread of 48 basis points over US treasuries, was quoted yesterday at 56 basis points over.

Italy's announcement last Friday that it was introducing a 12.5 per cent withholding tax on repurchase agreements also pushed up spreads sharply on supranational agencies such as the the European Investment Bank and World Bank.

This has reversed a tightening of spreads on bonds issued by these agencies, which at first seemed likely to escape entirely from the Italian authorities' decision to impose tax only on bonds issued from now.

The Kingdom of Spain's deal is expected to be priced at the upper end of the indicated spread of 42 to 45 basis points over US Treasuries.

Even then, the lead managers could find themselves having to support the issue if the spread is not to widen further.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Deutsche Bk. Finance(c)††	150	(c)	100	2002	50/30bp	Deutsche Bk.
YEN						
Kobe Steel(a)†	20bn	5¾	101⅞	2003	2/1⅞	Yamaichi Int.(Europe)
Kobe Steel(a)†	20bn	5.2	101¾	1998	1⅞/1½	Nikko Europe
SWISS FRANCS						
Nippon Typewriter(b)★★Φ†	50	3.5	100	1996	-	BSI

★★Private placement. ΦWith equity warrants. †Final terms a) Non-callable b) Exercise premium fixed at 2.58% Non-callable. c) Tranche of existing $150m deal issued 08.09.92. Coupon pays 1/16% below 6-month Libor and payable semi-annually. Minimum interest 5%, maximum 8.25%. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108	108⅜	-⅛	4.53
ALBERTA PROVINCE 9 3/8 95	600	111⅛	112⅛	-⅛	5.17
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.28
WORLD BANK 8 96 LFr	1000	96¾	97¾		9 07
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	36	1
Other Fixed Interest	6	9	0
Commercial, Industrial	638	141	646
Financial & Property	383	55	364
Oil & Gas	38	11	36
Plantations	2	0	7
Mines	60	15	74
Others	71	0	42
Totals	1,237	267	1,170

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
115	Nil	22/10	2pm	1pm	Bibby	1pm	
5	Nil	5/10	1pm	1pm	§Embassy Property	1pm	

a Annualised dividend. b Figures based on prospectus estimates. c Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. r Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. s Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1992. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. $ Issued by way of capitalisation. † Introduction. § Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div Prefs and 4 Stepped Pref shares. ♦ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 14
- Last Dealings Sept. 25
- Last Declarations Dec. 10
- For settlement Dec. 21

3-month call rate indications are also shown on this page.

Calls in Acorn Computer, Amstrad, ASDA, Bula Res., BTR warrants '93/94, Emess, Ferranti, Hospital Corpn., Lloyds Chemists, Queens Moat Houses, Ransomes, Trafalgar House, Taylor Woodrow, TVS and WPP. Puts in Blacks Leis., Forte, Kalon, Ladbroke, MFI and Ratners. Doubles in Hartstone, Oliver Res. and Taylor Woodrow.

LIFFE EQUITY OPTIONS

[illegible]

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Kingfisher (*515)	500	32	50	63	13	22	26
	550	8	27	35	42	45	63
Ladbroke (*179)	160	22	29	33	6	13	18
	180	10	20	24	17	23	29
Land Secur (*379)	360	28	32	41	4	9	12
	390	8	16	25	17	24	25
M & S (*324)	300	30	38	44	4½	8½	12
	330	10	20	26	14	19	23
Sainsbury (*435)	420	27	38	52	7	16	19
	460	7	19	28	30	37	40
Shell Trans. (*522)	500	34	46	51	5	11	17
	550	5	18	22	31	34	42
Storehouse (*146)	140	11	18	20	5½	10	12
	160	4	9	11	16	22	23
Trafalgar (*51)	50	6	10½	15	6	10½	13
	60	2½	8	9	12	18	20
Utd Biscuits (*292)	280	19	25	29	7	11	18
	300	8	15	20	19	22	28
Unilever (*1045)	1000	75	90	118	7	20	24
	1050	28	65	86	22	37	42

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*198)	180	32	41	50	17	24	30
	200	24	33	36	28	36	42
	220	15	24	27	40	49	52
Amstrad (*24)	20	7	8	9	2½	3	3½
	25	4	5½	6½	5	6	6½
	30	2	3½	5	8	9	9½
Barclays (*344)	300	57	65	65	5	12	14
	330	35	45	45	13	22	26
	360	17	27	31	30	38	40
Blue Circle (*166)	140	36	49	51	5	7	12
	160	27	32	39	11	14	18
	180	14	22	29	20	24	27
British Gas (*235)	220	19	25	27	6½	9	13½
	240	8½	14	16	18	19	24
Dixons (*217)	200	31	37	43	8½	13	15
	220	18	25	32	15	19	25

FT-SE INDEX (*2559)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Oct	185	143	105	68	42	23	12	7
Nov	215	175	133	102	75	50	32	20
Dec	235	195	157	125	97	73	52	37
Jan	-	-	-	190	-	-	95	75
Jun †	-	-	290	-	210	-	148	-
PUTS								
Oct	16	23	30	47	73	110	158	208
Nov	25	35	50	67	93	122	166	212
Dec	35	37	60	75	94	103	140	-
Jan	35	40	55	70	90	110	-	-
Jun †	70	-	100	-	133	-	165	-

September 21 Total Contracts 44,002
Calls 27,322 Puts 16,680
FT-SE Index Calls 9,238 Puts 10,757
Euro FT-SE Calls 749 Puts 595
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	16	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Behm A	34	Aviva Pet	8
BAT Inds	60	Eurotunnel	32	Lex Service	18	TI	26	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	33	Gen Accident	40	NatWest Bank	28	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	8	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	9	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

COMPANY NEWS: UK

Purves to step down as chief executive but retain chairmanship

HSBC plans changes at top

By Simon Holberton in Hong Kong and David Barchard in London

A NEW chief executive officer for HSBC Holdings, the parent of Hongkong and Shanghai Bank and Midland Bank, is likely be appointed early in the New Year, Hongkong Bank said yesterday.

Mr William Purves, currently chairman and chief executive, will relinquish day-to-day management of the group while retaining the post of executive chairman, he indicated in an interview with the South China Morning Post yesterday.

The front runners for the group chief executive position are all Hongkong Bank men and hold positions on the bank's "policy unit", or executive management board.

The two front-runners appear to be Mr John Bond, executive director for the Americas, who is considered the front runner inside the bank after turning around Marine Midland, the group's formerly ailing US subsidiary, and Mr Paul Selway-Swift, who is responsible for the group's operations in Hong Kong and China and was promoted to the main board earlier this summer.

Mr Bernard Asher, executive director of capital markets, and Mr John Strickland, executive director in charge of information technology, are also possibilities.

Mr Brian Pearse, Midland's chief executive, while highly rated personally by Mr Purves, is considered as a remote outsider, partly because of his age, but also because Midland is seen as the junior partner in the merger of the two groups.

It was a condition of Bank of England approval for Hongkong Bank's takeover of Midland that senior HSBC management be resident in London. Timing of the management shuffle is linked to a change in HSBC's tax residency: the group becomes a UK tax resident on January 1.

Mr Purves, who does not move to London until August or September next year, will stay on as executive chairman during the transition period. He has said he will serve in that role thereafter for as long as the board of the bank deems fit. It is expected that Mr Purves will hold the chairmanship of HSBC for some years to come.

In his interview with the Post, Mr Purves said the merger with Midland was going "remarkably well". He said a great deal had been achieved in a short time but that a lot remained to be done at Midland where Mr Pearse was "getting on well with it".

"We have a policy of delegating responsibility to individuals depending on experience," he said.

"The bank is not run by committees. This is something that is a change for Midland. There were many more committees and many more committee decisions were being made in Midland than we had.

"But I think they are welcoming the change. I think Mr Pearse himself is not a great committee man."

Metalrax improves margins

By Peter Pearse

METALRAX, the engineering components, housewares and storage equipment group, improved its margins in the first half of 1992 by "matching costs to volume", according to Mr Eric Moore, managing director.

Pre-tax profits rose by £13,000 to £3.32m on turnover lower by £1.8m at £30m.

In the branded storage equipment and housewares divisions, which each account for a quarter of the business, Mr Moore said heavy discounting had been avoided and that product development was the key.

In components, where the shrinkage in volumes was not unexpected, the investment in plant and equipment helped the group stay competitive.

Mr Moore said the group was "keeping its nose in front" in its trading in the second half, though the third quarter was traditionally quiet.

Earnings were unchanged at 3p per share and a rise in the interim dividend to 1p is declared (0.91p adjusted).

Bryant bounces back with 97% advance to £20.3m

By Peter Pearse

BRYANT GROUP bounced back in the 12 months to May 31 with a 97 per cent advance in pre-tax profits to £20.3m, against a depressed £10.3m.

Last time the West Midlands-based housebuilding and construction company made provisions of £12m – £8m for house sites and £4m for property developments. In the period under review, this had fallen to £5m, split £2m and £3m respectively. Operating profits rose 37 per cent to £21.4m (£15.6m).

The £10m pre-tax increase was struck on turnover ahead at £322.9m (£282.8m) and against a background of continued depressed confidence in the housing market.

However, Mr Andrew Mackenzie, managing director, said that the company would continue to expand organically – in Yorkshire, where Bryant has seven sites, and in the north-west, where it has six. Although further geographical spread, especially in the north, is likely, acquisitions are "extremely unlikely", he said.

House sales increased 25 per cent to 2,330, split evenly between the south and the core central areas, even though the average selling price fell to £86,000 (£90,000). This produced a 73 per cent climb in operating profits to £15.6m (£9m) on turnover of £196.6m (£159m). However, house sales had slowed recently, Mr Mackenzie said.

With prices in the land market becoming "more realistic", Mr Chris Bryant, chairman, said that the land bank had grown to nearly 10,000 plots with planning status.

Year-end borrowings were £15.6m, giving gearing of 8 per cent (5 per cent). It would not, according to Mr Michael Chapman, finance director, be pushed above 20 per cent by future land purchases. Associated undertakings' borrowings fell to £21.7m (£25.4m).

"A broad mix to spread the risk," said Mr Chapman, was the recipe in the construction side, where operating profits rose by £2m to £4.6m. Turnover was £100.5m (£97.4m) but is likely to fall to the £60m mark in the current year.

There were £24m of property sales, and lettings stand at 80 per cent. Profits declined to £1.2m (£4m) on turnover of £27.3m (£32.7m).

The final dividend is unchanged at 3.4p for a total of 4.8p, covered 1.2 times by earnings of 5.5p per share.

● COMMENT

With the housing market still in deep recession, Bryant has helped itself with prudent provisioning made extensive enough – some £30m so far – and, more importantly, early enough. It has made a virtue of selling at a price to find buyers and avoiding having to rely on sweetening deals to make sales. Its low plot costs have let this strategy work, as the results show. Although house prices have slipped, Bryant has increased volumes with more or less the same overhead – the number of sites rose from 85 to 90. Forecast profits of £22m pre-tax for the current year give a multiple of 15.9. That, and a safe yield of about 7 per cent make the stock attractive within the sector.

Microvitec returns to black with £62,000

By Paul Taylor

MICROVITEC, the USM-quoted computer peripherals manufacturer and software group, returned to profit in the first half of 1992 after two years of consecutive losses.

The turnround came despite continuing losses in its distribution division and higher net interest costs.

Pre-tax profits of £62,000 compared to losses of £2.21m, including £267,000 of rationalisation costs, last time. Earnings per share came to 0.1p against losses of 4.8p. No dividend has been paid since 1990.

In the latest period the group reported operating profits of £439,000 (£1.67m losses) on turnover which more than doubled to £25.5m, mainly reflecting the acquisition in May last year of Logitek, the computer services company.

Mr James Bailey, chairman and chief executive, said: "We have continued to reduce costs and improve efficiency and these, together with our changing product mix, have improved gross profit margin to 26.3 per cent."

"This has been achieved despite the effects of the continuing recession, price reductions by computer manufacturers and fierce discounting by competitors."

Net interest charges more than doubled to £377,000 (£183,000) mainly as a result of debt acquired with Logitek. However, Mr Bailey said the company was committed to reducing the level of gearing, which had improved to 72 per cent at the end of June.

All divisions of the company, except the Logitek distribution business which is operating in a "hostile environment", operated profitably in the first half. A new management team has been appointed in the distribution division and costs are being reduced.

The monitor and display division returned to profit following the successful implementation of a joint venture with Electrohome of Canada, and the launch of the new AlphaWindows terminal.

Ashley Ashwood

Stephen Cuthbert: recent metal finishing acquisitions have exceeded expectations

Brent Chemicals overcomes recession with 39% advance

By Andrew Bolger

BRENT CHEMICALS International reported interim pre-tax profits up by 39 per cent to £6.4m in spite of continuing recessionary conditions in most of the speciality chemical group's markets.

The Buckinghamshire-based group, which took heavy redundancy and reorganisation costs at its 1991 year-end, increased earnings per share 21 per cent to 5.3p (4.4p). The interim dividend is held at 1.6p.

The shares closed 7p higher at 139p.

Turnover, boosted by acquisitions, increased from £49.9m to £59.9m in the six months to June 30. The group said sales and profits growth were particularly strong in packaging, graphic arts and aerospace activities. Business to the electronics industry had also been expanded, in spite of continuing weakness in that market.

Mr Stephen Cuthbert, chief executive, said Brent's two most recent metal-finishing acquisitions – Hebro in Germany and CWC in the US – had exceeded expectations, with the former's sales and profits up by more than 15 per cent.

Lord Lane of Horsell, chairman, said UK business remained under pressure but achieved increased profits on reduced volume following efficiency improvements.

Overall the group continued to gain market share and maintained its gross margin. This, together with the overhead reductions achieved in 1991, increased the return on sales to more than 10 per cent.

Lord Lane said: "We believe the trading performance supports our strategy of realigning the group away from low-growth UK markets to a more broadly-based international business."

The group, which raised £15.6m in a rights issue last November, had net cash of £4m at June 30, but most of that will be paid out in deferred considerations during the second half.

Lord Lane said: "Whilst the short-term outlook remain uncertain, our geographic and market spread will enable us to benefit from the eventual market upturn."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brent Chemicals ......int	1.6†	Nov 23	1.6	-	7.34
Bryant ......fin	3.4	Dec 4	3.4	4.8	4.8
Dinkie Heel ......int	0.35	Dec 31	0.35	-	0.95
Edinburgh Fund ......int	5	Nov 6	5	-	13
Helene ......int	0.65†	Dec 31	0.65	-	2.01
MAI ......fin	4.6	Nov 17	4.1	6	5.5
Metalrax ......int	1†	Oct 30	0.91*	-	3.545*
Refuge ......int	9.6	Dec 3	9	-	29
Ross ......int	0.2	Nov 23	0.15‡	-	0.45‡
Russell (Alex) ......int	1	Nov 30	1	-	2.15
Unidare ......int	4.3♣	Oct 23	4.1	-	10.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. §USM stock. ‡Equivalent after allowing for sub-division and consolidation. ♣Irish pence.

KLOOF GOLD MINING COMPANY LIMITED
("Kloof")
(Registration No. 64/04462/06)

LIBANON GOLD MINING COMPANY LIMITED
("Libanon")
(Registration No. 05/08381/06)

VENTERSPOST GOLD MINING COMPANY LIMITED
("Ventersposť")
(Registration No. 05/05632/06)

(All companies incorporated in the Republic of South Africa)

INTEGRATION OF OPERATIONS

APPROVAL OF INTEGRATION OF OPERATIONS/ALLOTMENT AND *ISSUE OF SHARE AND OPTION CERTIFICATES*

The terms of the integration of the operations of Kloof, Libanon and Venterspost by means of schemes of arrangement, which were set out in the document dated 12 August 1992, have been approved by the shareholders and option holders concerned and where applicable, sanctioned by the Supreme Court of South Africa (Witwatersrand Local Division). Kloof has allotted new shares and options for issue to the relevant registered shareholders of Libanon and Venterspost and to the Venterspost option holders in terms of the schemes.

SURRENDER OF SHARE AND OPTION CERTIFICATES

An explanatory circular containing a Form of Surrender has today been posted to the registered shareholders of Libanon and Venterspost and to the registered option holders of Venterspost, who should complete and submit the Form of Surrender together with the relevant certificate(s)/document(s) of title to the South African transfer secretaries or United Kingdom Registrar at the addresses shown on the Form of Surrender, if they have not already done so, in order to receive the new Kloof share certificates and, where applicable, the new Kloof option certificates.

FRACTIONAL ENTITLEMENTS

Fractions of shares and options in Kloof to which shareholders of Libanon and Venterspost and option holders of Venterspost are entitled, have been aggregated and will, to the extent possible, be sold on The Johannesburg Stock Exchange ("JSE") within five days of the record date, 18 September 1992, at the best price reasonably obtainable, for the benefit of the relevant shareholders and option holders. Cheques in respect of the net proceeds of the sale of fractional entitlements will be available from 28 September 1992 to such shareholders and option holders on surrender of their certificate(s)/document(s) of title.

EXERCISE OF KLOOF OPTIONS

Kloof option holders are advised that these options need to be exercised during the period 1 November 1992 and noon on 30 November 1992. The necessary forms of application for the exercise of the options will be posted to Kloof option holders shortly. Options not exercised during the *aforementioned period will lapse and will be of no value or effect thereafter.* The listing of the Kloof options will terminate at the close of business on 30 November 1992.

STOCK EXCHANGE LISTINGS/DEALINGS

The listings of the Libanon and Venterspost shares and the Venterspost options on the JSE and the London Stock Exchange ("LSE") terminated at the close of business on 18 September 1992. The listing of the new shares and options on the JSE and LSE commences on 21 September 1992. On the LSE dealings commence on 21 September 1992.

ODD LOT HOLDINGS

Shareholders and option holders who wish to acquire additional ordinary shares or options in Kloof in order to increase their odd lot holdings to multiples of 100 shares or options, or to dispose of odd lots held, should request their stockbrokers to contact Fergusson Bros., Hall, Stewart & Co. Inc., 9th Floor, The Stock Exchange, Diagonal Street, Johannesburg, 2001, Republic of South Africa (P.O. Box 691, Johannesburg, 2000, Republic of South Africa) or at telephone no. (011) 833-5740, who have made arrangements for trading in odd lots at the relevant ruling market prices for a period of two weeks from Monday, 21 September to the close of business on Friday, 2 October 1992.

Registered and Head Offices
75 Fox Street
Johannesburg
2001

London Secretaries
Gold Fields Corporate Services Limited
Greencoat House
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Gold Fields of South Africa Limited
75 Fox Street
Johannesburg
2001
(PO Box 61595, Marshalltown, 2107)

United Kingdom Registrar
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham, Kent BR3 4TU

21 September 1992

Members of the Gold Fields Group

Sponsoring Brokers
(in the Republic of South Africa)

F | B
H | S

Fergusson Bros., Hall, Stewart & Co. Inc
(Registration No. 72/08905/21)
(Member of The Johannesburg Stock Exchange and the South African Futures Exchange)

Stockbrokers
(In the United Kingdom)
Cazenove & Co.
(A member firm of The Securities and Futures Authority and of the London Stock Exchange)

Advisers to Libanon and Venterspost

SMB
Standard Merchant Bank Limited
(Registered Bank)
(Registration No. 64/08586/06)

Schroders

Interim Statement

18th September 1992

The profits of the Schroder Group for the first six months of 1992 were higher than in the same period of the previous year. However, the general business outlook and the state of the financial markets remain uncertain.

An interim dividend for the year ending 31st December 1992 of 6p per share (1991 interim : 5p) has been declared. This does not of itself imply any increase in the final dividend for 1992.

The dividend will be payable on 5th November 1992 to ordinary and non-voting ordinary shareholders on the register on 15th October 1992.

120 Cheapside, London EC2V 6DS

COMPANY NEWS: UK

A man with his finger on the pulse

Raymond Snoddy profiles Pierre Vinken, the Elsevier chief with global ambitions

YOU MAY have run into Mr Pierre Vinken in the past without ever realising it. It would have been on London's Piccadilly Line somewhere between Heathrow Airport and Green Park station and Mr Vinken, chairman of Elsevier, the Dutch publisher, would almost certainly have been wearing a sober blue suit and be on his way to a meeting at Reed International, the international publishing and information group.

"It was beautiful when Reed was right beside Green Park station," says Mr Vinken, a former neurosurgeon turned publisher who still often travels from the airport into London by tube.

If it is very cold, or he has a lot of paperwork to get through, Mr Vinken will, however, hail a cab.

The quietly-spoken Mr Vinken is not only a millionaire; if all goes to plan, from January he will also be chairman of one of the largest publishing *groups in the world – Reed* Elsevier, the £5bn group being created by the merger of the two companies.

An important part of his ambition to make Elsevier a *truly global company has been* fulfilled by the merger agreement.

"The bigger, the vaster, the organism the more you can do with it. There is an endless string of possibilities for improving businesses. With 35,000 people there are always people with ideas. If you are fishing this is an enormous net you are casting into the ocean. You always catch something," says Mr Vinken in a rare interview.

He has never appeared on television and says he never will. Despite Elsevier owning several influential Dutch newspapers Mr Vinken, who is 64, says he never voluntarily speaks to the press. He is, he insists, a private person.

Mr Vinken, whose father was a coal mine security officer, graduated in medicine in 1955 and between then and 1963 did post graduate studies in psychiatry, neurology, neuroradiology and neurosurgery. And that was how he turned to publishing.

"I was working day and night and had no money. What I did to escape was spend my *weekends and free evenings* working for a medical publisher indexing journals - the lowest you could be.

Within a few years he was editor-in-chief of 50 journals *and for five years maintained a* dual career as publisher and neurosurgeon.

"I would operate between 7am and 12 noon, then I would *go for lunch to* the publishing company where they were waiting. I would work there from 12.30 to 6pm and then I would go home and do either of my homeworks," he says.

When Mr Vinken was forced to choose by Elsevier in 1970 there was no doubt in his mind.

"I think there is something editorial born in me which somehow makes a publishing company attractive to me. I know how each of these products are made and I could stand in for any of the jobs *save for book keeping*," he says.

The Elsevier chairman was an early exponent of electronic data bases for medical use and was also chief editor of the 27-volume *Handbook of Clinical* Neurology.

But he can also point to a growth of operating income that has averaged 20 per cent a year and operating income per *share of 15* per cent.

He is due to become the first chairman of Reed Elsevier and will then be succeeded by Mr Peter Davis, the Reed chairman who will be chief executive *of the* merged company.

"The chances for effectiveness and efficiency are enormous but I will not be the one to bring this into the next century. *Peter will do that. But I* will contribute experience and a sense of strategy and direction as far as necessary," Mr Vinken said.

Together they would be saving costs and developing strategies, including acquisition strategies, designed to boost profit per share.

"That is good for the company, good for everyone. You get the best personnel, the best products in an almost Darwenian process of natural selection and improvement," says the former neurosurgeon who claims never to look backwards and is already looking *forward to the first meeting of* Reed Elsevier.

Lydia van der Meer

Pierre Vinken: in line to be chairman of Reed Elsevier

NEWS DIGEST

Dan-Air denies link with Virgin

MR DAVID James, chairman of Davies & Newman Holdings, which owns the Dan-Air airline, has denied that the group is in merger talks with Virgin Atlantic, the airline headed by Mr Richard Branson.

Mr James said yesterday: "The only discussions which have taken place with Richard Branson have been intermittent dialogues over the past two years considering various marketing initiatives. There are no dialogues in hand beyond such minimal levels and certainly nothing which would justify talk of a merger."

Edinburgh Fund Managers dips 23%

Edinburgh Fund Managers, the international fund management group, reported a 23 per cent fall in pre-tax profits from £2.46m to £1.89m in the six months to July 31.

Mr Colin Ross, *chairman*, said the decline reflected reduced profit from unit trust trading, lower income on cash deposits and increased administrative costs associated with an imminent office move.

He said the full year was expected to show a comparable decline in profits as that experienced in the first half. The interim dividend, however, is held at 5p and a maintained final of 8p forecast.

New business totalling £100m was won in the period, but this was partially offset by a 3 per cent fall in funds under management to £1.84bn, as world stock markets declined in sterling terms.

Earnings per share dropped from 9.5p to 6.9p.

Falling margins at Dinkie Heel

Difficult trading conditions in the UK and exchange rate pressure resulted in falling operating margins at Dinkie Heel in the six months to June 30.

Reflecting increased exports, this Bristol-based supplier of components to the footwear manufacture and repair industries reported turnover of £3.38m against last time's £2.93m which excluded a £701,000 contribution from loss-making Enterprise, which was sold in October.

Operating profit was static at £154,000 but a reduced interest *charge of £44,000 (£64,000) lifted* the pre-tax line to £110,000 (£90,000).

The interim dividend is maintained at 0.35p, payable from earnings of 0.67p (0.55p) per share.

Helene shows 15% rise to £812,000

A 15 per cent expansion in first half profits was yesterday reported by Helene, the clothing distributor.

On turnover ahead to £36.7m (£33.2m), the pre-tax line for the six months to June 30 amounted to £812,000 (£706,000).

Earnings per share improved to 0.71p (0.56p); the interim dividend is held at 0.65p.

Alexander Russell declines by a third

Pre-tax profits of Alexander Russell, the Glasgow-based quarrying and coal company, fell by 32 per cent in the six months to end-June as recession continued to affect demand for building materials.

Despite a 3 per cent increase in turnover, from £18.2m to £18.7m, profits before tax were down by £287,000 from the £621,000 reported at the half-way stage last year.

Earnings per share emerged at 0.68p (1.4p) and an unchanged interim dividend of 1p is declared.

Slight advance to I£2.45m at Unidare

Unidare, the Dublin-based maker and distributor of heating, electrical and welding goods, reported pre-tax profits slightly ahead at I£2.45m (£2.52m) for the first half of *1992, against I£2.35m* which included an exceptional credit of I£500,000.

Sales, helped by acquisitions, rose 21 per cent to I£59.9m (I£49.6m). The company said underlying growth was 8 per cent. Earnings per share were 12.64p (11.46p) and the interim dividend is raised to 4.3p (4.1p).

United Drug offers I£5.16m for Alchem

United Drug, the Dublin-based pharmaceutical distributor, is making a recommended I£5.16m offer for Alchem, the parent company of Sangers, Northern Ireland's biggest pharmaceutical wholesaler.

United is offering 13 new shares for each 8 existing Alchem shares. Alchem shareholders are also offered a loyalty bonus of 3p per share if they hold the United shares for three months after the date *of* issue.

United has received irrevocable undertakings for acceptance from the whole of Alchem's board and certain members of their families who together hold some 18 per cent of the issued capital.

Buoyant Refuge ups dividend to 9.6p

Refuge Group, the life assurance company, increased its interim dividend from 9p to 9.6p.

Total revenue premiums for long-term business for the six months to June 30 increased by almost 14 per cent to £108m (£94m) and sales of regular premium business rose to £17.9m (£16m).

The strongest growth was seen in single premiums, which rose 35 per cent to *£26.5m (£19.6m).*

However, general domestic insurance remained static at £6.6m (£6.5m) and poor results from the Douglas Allen Spiro estate agency business were unlikely to show any improvement.

Support for Harmony board

The board of Harmony Leisure Group, the loss-making pub and restaurant group, has received expressions of support in its fight to prevent being ousted, according to Mr Stanley Lever, managing director.

He added that there was recognition that as he and his family controlled about 24 per cent of the company the present board had "every desire" to take the company through the present difficulties.

An "alternative board" led by Mr Andrew Martyr, a *former* hotel executive, is trying to requisition an extraordinary meeting to outline proposals for returning the USM-quoted group to profit.

Cont Stationery in management buy-out

Continuous Stationery, the printing group which incorporates the Prontaprint chain, has been acquired in a "public to private" management buy-out.

The buy-out – backed by 3i, the investment capital group – values the company at £6.8m.

Following the management's offer of 40p per share in cash, 88.69 per cent of Continuous Stationery is now owned or controlled by the new company.

CE Heath stake in Jamaican broker

CE Heath, the reinsurance broking group, has bought a 30 per cent stake in Crawfurd Insurance Brokers of Jamaica, a subsidiary of ICWI Group, the financial services conglomerate.

Neither party has disclosed the cost and the nature of the transaction.

Lancer Boss steps up French interests

Lancer Boss Group, Britain's biggest lift truck producer, is expanding its European presence through the acquisition of Manualp, the largest materials handling equipment distributor in central France.

Terms of the the deal, made through Boss France, a wholly *owned subsidiary*, were not disclosed.

FIDELITY FUNDS

Société d'investissement à capital variable
3rd Floor, Kansallis House, Place de l'Etoile
L-1021 Luxembourg
RC Luxembourg B 34036

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Fidelity Funds ("the Fund") will be held at the registered office of the Fund in Luxembourg on Thursday 1st October 1992 at noon to consider the following agenda:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditors.
3. Approval of the balance sheet and income statement for the financial year ended 30th April 1992.
4. Discharge of the Board of Directors.
5. Election of nine (9) Directors, specifically the election of Messrs. Helmert Frans van den Hoven, Charles T.M. Collis and Sir Charles A. Fraser the re-election of the following six (6) present Directors: Messrs. Edward C. Johnson 3d, Yasukazu Akamatsu, Barry R.J. Bateman, Jean Hamilius, Glen R. Moreno and David J. Saul.
6. Approval of the payment of directors' fees for the year ended 30th April 1992.
7. Election of the Auditors, specifically the election of Coopers & Lybrand S.C., Luxembourg.
8. Approval of the payment of dividends for the year ended 30th April 1992 and authorisation of the Board of Directors to declare further dividends in respect of the financial year ended *30th April 1992* if necessary to enable the Fund to qualify for "distributor status" under United Kingdom and Irish tax laws.
9. Consideration of such other business as may properly come before the meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3 %) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote. Such proxy need not be a shareholder of the Fund.

20th August 1992

BY ORDER OF THE BOARD OF DIRECTORS

Fidelity Investments

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED
International Depositary Receipt
issued by
Morgan Guaranty Trust Company of New York

Notice is hereby given to the shareholders that:

Payment of coupon number 48 of the International Depositary Receipts will be *made in US dollars on or after September* 22nd, 1992 at the rate of US$0.0903 per ordinary share at the following offices of Morgan Guaranty Trust Company of New York:

- New York, 30, West Broadway
- Brussels, 35, Avenue des Arts
- London, 60, Victoria Embankment
- Frankfurt, 44/46 Mainzer Landstrasse

The dividend is not subject to any Australian tax. The Belgian withholding tax will be applicable to IDR holders presenting their coupons to the offices of the Depositary without the appropriate non-Belgian resident certificate.

Depositary: Morgan Guaranty Trust Company of New York,
35 Avenue des Arts, 1040 Brussels

BANQUE NATIONALE DE PARIS

- USD 300.000.000,- floating rate notes 1985/2005
- The amount of interest for the interest period
- beginning on 21 April 1992 and ending on 19.10.1992
- as fixed by *reference* agent will be
- USD2639,58 per USD 100.000,00 notes being a rate
- about 5,25 per cent

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 22.09.92: Pool purchase price £/MWh	Final Prices for Trading on 21.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	17.86	17.86
0100	17.76	17.86	17.86
0130	17.76	17.86	17.86
0200	17.76	17.86	17.86
0230	17.76	17.86	17.86
0300	17.76	17.86	17.86
0330	17.76	17.86	17.86
0400	17.76	17.86	17.86
0430	17.76	17.66	17.86
0500	17.76	17.86	17.86
0530	17.71	17.76	17.76
0600	17.69	17.76	17.76
0630	17.70	17.86	17.86
0700	22.12	20.45	23.32
0730	26.12	23.83	26.82
0800	26.66	23.86	28.84
0830	28.02	26.59	28.96
0900	28.04	26.56	29.83
0930	28.05	28.09	31.06
1000	28.06	28.10	31.01
1030	28.06	28.09	31.02
1100	28.06	28.10	31.03
1130	28.06	28.10	31.03
1200	28.11	28.10	31.03
1230	28.11	28.09	31.02
1300	28.07	26.64	29.46
1330	28.16	26.53	29.44
1400	28.13	25.68	28.65
1430	21.71	24.78	27.84
1500	21.71	24.78	27.84
1530	22.01	24.78	27.84
1600	26.16	24.78	27.84
1630	26.20	28.01	30.96
1700	28.72	28.01	30.94
1730	28.10	28.01	30.94
1800	28.05	28.00	30.96
1830	28.64	23.88	26.74
1900	24.80	23.83	26.36
1930	25.64	23.09	25.94
2000	26.01	21.89	21.89
2030	26.01	19.59	19.59
2100	24.69	28.00	30.97
2130	24.59	31.27	34.30
2200	24.66	31.27	34.32
2230	23.94	25.81	28.64
2300	23.01	22.81	25.38
2330	22.12	20.81	23.64
2400	17.76	20.42	23.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0800-[illegible] between 8:30am and 5:15pm Monday to Friday.

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Loss of licence helps TVS return to profit

By Raymond Snoddy

TVS ENTERTAINMENT, the ITV broadcaster for the south of England, achieved pre-tax profits of £7.6m for the six months to June 30, compared with losses of £10.9m last time.

The results accompanied an agreed £38.2m offer for the company from International Family Entertainment which runs The Family Channel, a general entertainment cable channel in the US.

The offer, which values each TVS ordinary at 25p and each preference share at 45p, has the support of main shareholders such as Canal Plus. Mr James Gatward, a founder and former chief executive of the company is leading opposition to the bid on the grounds that TVS is worth much more.

The offer is partly in cash and partly in shares in IFE, which was listed on the New York Stock Exchange in April.

TVS has come on the market because it failed to win a new broadcasting licence in last's year's competitive tenders for ITV franchises and ceases to be a broadcaster from the end of this year.

The loss of the licence is the main explanation for the improved financial position. The company has reduced its UK broadcasting activities and cost base as quickly as possible.

The sale of its 50 per cent stake in the CBS/MTM studio company in Los Angeles for $27m in February has also helped to reduce group borrowings to £3.5m at the end of June, compared with £25.4m at the end of 1991.

Losses at MTM, the US independent production company whose purchase caused many of TVS Entertainment's problems, have increased although sales marginally improved. MTM reported a loss of £5.7m in the first half, against £2.4m, because of the weak dollar and an increase in the amortisation of US programme costs.

Turnover was up from £102.1m to £106.3m. Because TVS continues to have a deficit on its own profit and loss account no dividend is declared.

Mr Rudolf Agnew, TVS chairman, said that the process of winding down UK broadcasting operations and cutting costs would continue in the second half, "with a view to leaving the group in as strong a financial position following the expiry of its Channel 3 licence as is possible in all the circumstances".

If the IFE offer is confirmed the American company will take over on January 1 and base its operation at the TVS studios at Maidstone, Kent. TVS has already sold its Southampton studios to its successor.

For each TVS ordinary, the offer is worth 0.041195 of the new IFE shares, while each TVS preference share is worth 0.074152 of the new IFE shares.

The partial cash alternative offer is worth a maximum of 23p for each ordinary and 43p for each preference. The maximum amount of cash available under the partial cash alternative is £18.5m, with £6.3m being available for ordinary shares and the rest for preference shareholders.

If all TVS shareholders elect for cash, then the cash offer for ordinary shares will be scaled down to a minimum of 10p cash plus 0.021422 new IFE shares, while preference shareholders will receive a minimum of 25p in cash plus 0.029661 new IFE shares.

Salvesen sells oil offshoot for £28.5m

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, manufacturing and specialist hire group, has sold its oilfield technology subsidiary for £28.5m to BJ Services Company, of Houston, Texas.

The Aberdeen-based Salvesen (Oilfield Technology) had a net book value of £15.8m and made operating profits of £3.3m in the year to March 31, which the group described as a difficult period in the North Sea oil business.

Mr Chris Masters, Christian Salvesen's chief executive, said: "The sale is in line with our strategy of focusing on a limited number of activities where we have a demonstrable and maintainable competitive edge."

The proceeds will be used to reduce gearing, which stood at 35 per cent in March. The consideration is being satisfied by a £15m 90-day loan note and the balance in cash.

The disposal comes at a time when companies in the offshore supply business face increasing competition for work as oil companies cut costs.

Tony Andrews

Welcome relief from currency pressures: Lord Hollick, managing director of MAI, pictured outside the company's offices yesterday

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Brake Bros, British Fittings, Brixton Estate, Comac, CrestaCare, Elswick, Harrington Kilbride, Hartons, Jardine Matheson, Next, Norish, Seafield Res, TT, Tarmac, Tesco, Wolstenholme Rink.

Finals- Cantors, Hays, Lloyd Thompson, Mucklow (A&J).

FUTURE DATES

Interims-	
Aran Energy	Sep 30
Barlows	Oct 15
Black (A&C)	Sep. 24
London Atlantic Inv Tst	Oct. 22
Marston Thompson	Nov 25
Northern Electric	Dec. 16
Ramco Oil Services	Sep 30
Ratners	Sep. 30
Sears	Sep. 29
Sykes-Pickavant	Sep 30
T&S Stores	Sep. 29
TV-am	Sep 24
Wilkes (James)	Oct. 2
Yule Catto	Sep 24
Finals-	
Allied Leisure	Oct 7
Bennett & Fountain	Sep 23
EFM Dragon Trust	Sep. 24
Lucas Inds	Oct 12
Manchester United	Oct. 6
Prior	Sep. 30
Renishaw	Oct. 7
Sinclair (Wm)	Oct 13
Thorpe (FW)	Sep 29
Tor Inv	Sep. 24
Trace Computers	Sep. 24
Waterman Partnership	Sep. 25

Bristol & West hit by four-fold jump in bad debt charge

By David Barchard

PRE-TAX PROFITS at Bristol & West, the UK's 10th largest building society, plunged by 67 per cent during the first six months of the year after it was forced to make a four-fold increase in its bad debt charge.

Profits for the six months to June 30 1992 amounted to £13.1m, down from £39.2m last time.

The bad debt charge was up from £7.2m to £29.7m.

Almost all the provisions were against residential lending as a result of the fall in the value of repossessed homes.

They also included a general provision of £9m.

Mr Tony Fitzsimons, chief executive, said the society had decided to make substantial provisions at the interim stage this year, even though it had been fully provided at the end of 1991.

"We expect a better second half and the figure for the full year should show an improvement on last year provided there is no further deterioration in the housing market," he said.

City analysts said the result was not so bad as had been feared in some quarters. The fall in profits should be treated as a one-off event because of Bristol & West's decision to introduce a new provisioning formula.

Total assets of the society rose from £6.2bn in June last year to £7.3bn, although part of the increase came from the takeover of Cheshunt Building Society.

Interest income was up by 7.5 per cent to £64.2m, but non-interest income dropped by 8 per cent to £34.2m.

The society's mortgage book grew from £5.7bn at the start of the year to £6bn.

There had been a good inflow of retail savings despite the general trend in the industry, said Mr Fitzsimons.

Management costs rose by 10 per cent to £55.6m.

This partly reflected the society's policy of opening new retail financial centres and a new non-retail mortgage distribution arm.

Hamptons, Bristol & West's 100-branch estate agency chain, incurred a £2m loss. This was said to be lower than last time.

Ross surges to £1.35m and lifts interim by 33%

By Paul Taylor

ROSS GROUP, the acquisitive consumer electronics and packaging services company, yesterday announced sharply higher first-half profits and turnover, and lifted its interim dividend by 33 per cent.

The company, brought to the main market through a reverse takeover of the Whittington giftware group in March last year, reported pre-tax profits in the six months to June 30 of £1.35m.

This compared with £101,000 in the same period last year when profits were reduced by £400,000 of restructuring costs.

Turnover jumped to £23.5m (£8.52m) and operating profits increased to £1.82m (£766,000), but were partly offset by higher net interest charges of £468,000 (£265,000).

Mr Noel Hayes, chairman, said substantial progress had again been achieved despite difficult trading conditions.

Earnings per share of 0.73p, or 0.76p per share fully diluted, compared to losses of 0.15p per share last time, out of which an increased interim dividend of 0.2p (equivalent 0.15p) will be paid.

Mr Hayes said the electronics division experienced testing trading conditions because of the depressed level of high street spending, but continued to broaden its customer base and secure new product listings.

The acquisition of Stellar, completed in November, which introduced car security into the group, is now "well integrated and considerable benefits are being derived both from cost savings and ongoing investment."

Gemini Car Alarms produced another strong performance and the acquisition of Sonicare in August has consolidated car security as an important growth area for the group, as well as giving it a presence in the in-car entertainment market.

The packaging division again made steady progress with the £7m modular prefabricated avionics buildings contract progressing "on time and on budget".

Looking ahead, Mr Hayes said trading conditions showed few signs of improving, but expressed confidence that by controlling costs and marketing effectively the group will produce "a very strong second half performance."

Green issues to 'shape' energy industry

By David Lascelles, Resources Editor in Madrid

ENVIRONMENTAL considerations are likely to have a decisive influence over the future of the energy industry, according to participants in the World Energy Congress which began here yesterday.

It will shape the way energy companies operate, as well as the use to which customers put their products. In each case, the industry could be the loser through higher regulatory costs, or changing patterns of demand.

The industry's anxieties about environmental issues were set out by Mr David Simon, the chief executive of BP, who said: "There has been a change in the standards demanded by customers – although not necessarily in the amounts they are prepared to pay for them."

He argued that oil companies were more environmentally aware than usually given credit for. And by investing in new oil supplies they were contributing towards the economic growth that enabled the world to afford higher environmental standards. If the public did not like fossil fuels it could always stop using them. But that was unrealistic. So the public must expect prices to rise to pay for higher standards, or else the oil industry would not be able to attract investment money.

Nor would a proposed carbon tax achieve desired environmental results, especially if it was merely added to the range of taxes which already distorted the energy market.

Mr Simon's keynote speech to the congress, held once every three years, was accompanied by a forecast from the World Energy Commission that energy supplies will be plentiful well into the next century, and that ecological pressures could be the sharpest factor depressing energy demand.

Mr Henrik Ager-Hanssen, senior vice-president of Statoil, said this scenario implied enormous increases in energy efficiency, particularly among former communist countries, and the third world. But he doubted whether sufficient quantities of technology and finance could be transferred to these countries to achieve the necessary efficiency gains.

"There is major uncertainty as to whether or not such a development will be given priority as compared to policy actions which are more energy-supply oriented," he said.

Once again Opec shoots itself in the foot

Neil Buckley examines the tensions now surfacing in the oil producers cartel

OIL PRICES continued to drift lower yesterday, on uncertainty following Iran's refusal to sign the agreement reached by the Organisation of Petroleum Exporting Countries last week and Ecuador's announcement that it intended to leave the cartel.

Brent crude for October delivery fell 15 cents on the day to $20.20 - leaving it about 30 cents lower than before Opec's ministerial monitoring meeting in Geneva.

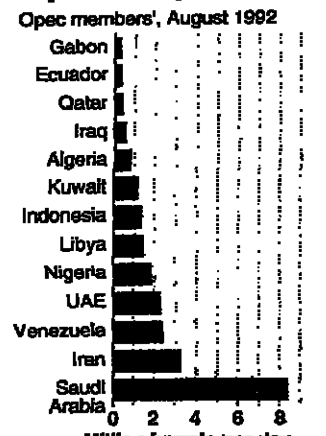
The markets' uncertainty is understandable. Last week's meeting again demonstrated Opec's capacity for shooting itself in the foot.

Even pessimistic Opec-watchers had forecast an easy meeting. In theory, all members had to do was quickly agree to hold production at current levels of around 24.3m barrels a day - allowing a little more for Kuwait - and then either roll over their February/May production ceiling of 22.98m b/d and continue to ignore it, or formally raise the ceiling to a more realistic level of, say, 24.5m b/d.

That, analysts believed, would have given oil prices an upwards shove of up to $1 a barrel in the face of expected higher demand in the fourth quarter. Opec members could have gone home ready to fight another day - namely in November, when thornier issues such as members' market shares, and how to deal with the eventual return of Iraq to the export market are expected to be discussed.

Reported oil production

Opec members', August 1992



Million barrels per day

Source: Opec Secretariat

Instead, Opec wrangled for two days, emerging with a somewhat wishy-washy communique which one member refused to endorse, and with another member threatening to pull out of the organisation. The final irony was that Mr Gholamreza Aghazadeh, the Iranian oil minister and Opec's fiercest price hawk, actually managed to talk oil prices *down* 40 cents through his comments after the meeting.

The markets may yet change their mind, however. As one analyst in Geneva put it: "This was actually a good deal, poorly packaged."

Analysts and traders both believe that while oil prices did not get an immediate boost from the Opec meeting, they will start to rise on strong market fundamentals in the next few weeks.

Mr Peter Gignoux, head of the energy desk at Smith Barney in London, said he saw Brent crude reaching $22 before Opec's next meeting in November.

Opec's communiqué pledged its fourth-quarter "market share" should be 24.2m b/d, with Kuwait allowed to continue to increase output. The aim was "to attain the minimum reference price of $21 a barrel" for the Opec basket of crudes (equivalent to more than $22 for Brent crude).

With estimates of fourth-quarter demand for Opec oil, including production and stocks, at more than 25m b/d, this should produce a tight market. Oil stocks, moreover, are at a four-year low.

The big question is whether Opec will stick to the agreement. Traders were, for example, concerned about the use of the vague phrase "market share" instead of "production ceiling" in the communiqué.

Opec ministers were anxious to play down the significance of this. Mr Hisham Nazer, the Saudi oil minister, suggested it was simply a term "that comes at the end of the day when most people are very tired.

"It is a ceiling," he added.

A more serious concern is possible "leakage". But those countries who have surplus capacity - apart from Kuwait, which will increase production by up to 300,000 b/d as it rebuilds its oil industry - are seen by analysts as unlikely to lift production significantly.

Iran's Mr Aghazadeh said he had "no intention" of doing anything to disrupt the market, in spite of his criticisms of the agreement.

He said Iran would adjust production according to world demand. Analysts suggest Iran is likely to continue to produce at between 3.2m and 3.4m b/d, and are sceptical of its claims that it already has capacity of 4m b/d.

Mr Nazer of Saudi Arabia refused to comment on production plans, but the kingdom is not seen increasing production much above the 8.4m b/d it claimed in August.

The sting in the tail at last week's meeting was, however, Ecuador's announcement that it intended to give up full membership of Opec and seek to become only an associate member - the first country to do so since Opec was formed in 1960. Mr Andres Barreiro Vivas, Ecuador's energy minister, said the matter would be discussed at Opec's next meeting in Vienna.

Ecuador's ostensible reason for leaving is that it is unhappy with its quota and wants to increase oil revenues to help pay off its $13bn foreign debt.

Paris-based consultants Cambridge Energy Research Associates suggests Ecuador may be wondering if its hopes for economic improvement would be better served by other organisations such as the International Monetary Fund, where not being an Opec member could strengthen its negotiating position.

In itself, Ecuador's withdrawal would be unlikely to have more than a symbolic impact on Opec. It is the second-smallest producer, with only 1.3 per cent of total output. The danger, however, is that other members suffer from the same revenue constraints and frustration about Opec's failure to raise prices.

Gabon and Qatar are seen as most likely to be tempted to follow Ecuador's lead, but Mr Peter Bogin of CERA says even this would not cause serious harm to Opec.

"The only people that really matter in Opec are the big producers. It has been an organisation of six members and not 13 for some time now."

However, Mr Vahan Zanoyan of the Petroleum Finance Company in Washington, suggests larger producers such as Nigeria or Venezuela might also be tempted to follow Ecuador, which could pose a serious threat to Opec.

"These countries see themselves as weak and uninfluential members who just turn up, take a lot of abuse from the Gulf countries and go home. They may start to think hard about what's in it for them."

Russia faces $6.6bn bill to update aluminium smelters

By Kenneth Gooding, Mining Correspondent

ABOUT US$6.6bn was needed to update Russia's four biggest aluminium smelters, Mr Horst Peters, general manager, technology marketing, for VAW Aluminium, said yesterday. He suggested that a better use for the cash would be the construction of three new smelters with a capacity of 400,000 tonnes each.

Mr Peters said Russia's aluminium fabricating industry also required substantial capital to convert defence-oriented plants to the production of consumer products such as aluminium for cans and packaging materials. At least one new hot mill was necessary with a capacity of 700,000 tonnes which would cost $500m. About the same amount of capital was required for other downstream aluminium projects.

"But who is prepared to spend substantial amounts of money for the Russian aluminium industry?" asked Mr Peters. He said it was unlikely that foreign governments would place a high priority on investment in the Russian aluminium industry. But the western aluminium industry could perhaps help by transfering technology to modernise smelters and fabricating plants, and developing joint projects in line with western standards.

In a paper for Metal Bulletin's aluminium conference in Oslo, Mr Peters said the Russian aluminium industry's main asset was the 25,000 megawatts of power generated by hydro electric projects in the Yennisei area of Siberia.

CIS ALUMINIUM SMELTERS

Location	Capacity (tpy)	Type
Russia		
Volkhov	20,000	Pb
Nadvoitsy	60,000	S
Kandalaksha	60,000	S
Volgograd	250,000	S
Kamensk Uralski	110,000	S
Bogoslovsk	150,000	S
Novokuznetsk	280,000	S
Sayansk	320,000	Pb
Krasnoyarsk	800,000	S
Bratsk	850,000	S
Irkutsk	280,000	S
Ukraine		
Zaporozhe	70,000	S
Azerbaijan		
Sumgait	60,000	S
Tadzhikistan		
Regar	520,000	Pb

Source VAW
Pb = pre-bake S = Soederborg

The 14 aluminium smelters in the Commonwealth of Independent States had a total annual capacity of about 3.8m tonnes but they were "physically outdated – using old technologies with unattractive technical parameters". The smelters were not able to meet existing Russian pollution standards and if environmental laws were enforced "nearly all the smelters in Russia would have to be closed or have to substantially reduce production".

Mr Peters said that, even if three new aluminium smelters were built in Russia, alumina, an essential raw material, would have to be transported from the Japanese Sea, adding up to $300 a tonne to the cost of aluminium production. This would have to be offset by "nearly zero charges for electricity".

The CIS's ten alumina plants had a combined annual capacity of 5.25m tonnes but were using processes which pushed production costs up to 100 to 260 per cent above those in Western Australia, the lowest-cost producer.

Private Bolivian mines opposed

By Chris Philipsborn in La Paz

BOLIVIAN mining unions have voted to occupy mines subject to joint venture deals in protest at the government's drive to slim down Comibol, the state mining corporation, and open it up to private investment.

The unions want to stop Comibol going ahead with joint venture and leasing deals with private companies. Since the concept of joint venture contracts was first touted last year, only two have been signed.

Private companies that have signed deals with Comibol, including Minproc and Cominesa, have been unable to start operations because of industrial action.

Mr Alvaro Rejas, the Bolivian mining minister, has warned that the government will shut down any mine which is occupied, and dismiss any miners taking action. However, both Mr Rejas and Comibol's management lack government backing to confront the unions and speed up the joint venture process.

Mr Rejas said the action would be an act of suicide for Bolivian mining. Several potential private mining investors cite labour troubles as a significant problem.

Weather hits Canadian harvest

By Bernard Simon in Toronto

UNUSUALLY wet and cool weather has seriously delayed Canada's prairie grain harvest and is expected to affect both the volume and quality of this year's crop.

Farmers in Alberta suffered a summer snowfall last month, and frost has already hit most other parts of the prairies. Scientists blame the freak weather, which has given many parts of Canada east of the Rockies their wettest and coolest summer in a century, on dust spewed into the atmosphere by last year's eruption of Mt Pinatubo in the Philippines.

Mr Ken Budzak, crop analyst at the Saskatchewan Wheat Pool, said the province's farmers had harvested only 8 per cent of their crop by the end of last week. In a normal season, close to 80 per cent would be in the bins by mid-September. Mr Budzak estimated that harvesting would take another month or so.

An official at Manitoba Pool Elevators said the wheat harvest in that province had ranged between zero and 45 per cent so far. He added that "very little" oilseed, rape and flax had been taken in.

Analysts stress that it is still too early to assess fully the weather's impact on yields and quality. While some damage has undoubtedly been done, it appears that fears of a disaster after the late-August snowfall were exaggerated.

"We're not in a position where we have to panic yet," Mr Budzak said. But he added that estimates of the size of the crop "keep dropping every day".

Mr Budzak expects Saskatchewan's crop of six main grains and oilseeds to be somewhere below 20m tonnes, down from earlier estimates of 20.9m tonnes.

The Alberta Wheat Pool's most recent estimate of the total harvest in that province is 14.7m tonnes, compared with a 10-year average of 15.4m. But the final figure is expected to be somewhat lower. The late harvest will not necessarily do further damage, provided that rain does not germinate crops.

Indonesia seeks to boost domestic gas consumption

Indonesia's main island of Java is set to increase its consumption of natural gas by 242 per cent to 975m cubic feet a day with the commissioning of three new electric power stations, a urea plant and a gas system for the city of Surabaya in East Java, writes William Keeling in Jakarta.

Speaking to a recent meeting of the Indonesian Gas Association, Mr Wijarso, a senior official of the Department of Mines and Energy, said the planned expansion was backed up by proven reserves of 4.5 trillion cubic feet.

He said Arco International is developing new offshore fields to deliver 260m cf a day to the newly built 1,350 MW combined cycle power plants in Muara Karang and Tanjung Priok, and to the Kujang II urea plant in Cikampek.

The ARBNI Pagerungan field will soon supply 390m cf a day to the city of Surabaya and to a 1,080 MW power plant and urea plant in Gresik.

Mr Wijarso estimated that consumption by the year 2000 in Java, which has a population of 108m and is the economic centre of Indonesia, would be close to 1,500m cf a day.

A recent World Bank study estimated that gas fields in Java and its offshore surrounds could be proven up by an additional 2.1-8.! trillion cf. Even at the low 2.1 trillion cf figure, an additional delivery of 500m cf a day of gas could be brought on line by the end of the decade, Mr Wijarso said.

The government's policy is to, whenever possible, substitute domestic oil consumption with gas. Indonesia would save 250,000 barrels of oil a day if domestic gas consumption in Java could be increased to 1,470m cf a day.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-month **NICKEL** fell to a 2½-year low of $6,905 a tonne in early trading on the LME following Chinese hedge liquidation. Traders said that the Chinese had been the market's main source of support. If they were no longer there as buyers, the market would be likely see lower prices in the near future unless producers took some action. Meanwhile, the dollar's firmness continued to hang over the LME as buyers faced dearer prices in local currency terms. The most marked example continued to be **COPPER**; three-month metal closed at $2,435 a tonne, up just $8. A further rise in Comex stocks on Friday and reports that the Polish copper miners had lifted their strike threat were both ignored. **GOLD** retreated below $350 a troy ounce on the London bullion market, and the Comex active December futures contract was off more than $4 at $348.60 in late trading in New York. US fund liquidation emerged in New York after the French referendum at the weekend. London's second postion robusta **COFFEE** contract broke through resistance at $800 a tonne, boosted by French trade house buying. Dealers said charts now seemed to point to further gains.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18.30-8.35z	-.200
Brent Blend (dated)	$20.10-0.15	-.150
Brent Blend (Nov)	$20.25-0.30	-.160
W.T.I (1 pm est)	$21.70-1.75z	-.160

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	-1
Gas Oil	$186-188	-1
Heavy Fuel Oil	$90-92	
Naphtha	$189-190	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$347.25	-4.75
Silver (per troy oz)♣	361.5c	-6.0
Platinum (per troy oz)	$362.5	+0.75
Palladium (per troy oz)	$90.75	
Copper (US Producer)	112.5c	+1.0
Lead (US Producer)	40.1c	
Tin (Kuala Lumpur market)	16.63r	-0.02
Tin (New York)	307.50c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.55p	-0.73*
Sheep (live weight)†♣	70.02p	-0.99*
Pigs (live weight)†	81.10	-0.23*
London daily sugar (raw)	$234.0w	+0.6
London daily sugar (white)	$265.7w	+1.5
Tate and Lyle export price	£245.5	+3.5
Barley (English feed)	£120.5	
Maize (US No. 3 yellow)	£137.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	55.50p	+0.25
Rubber (Nov)♥	55.50p	+0.25
Rubber (KL RSS No 1 Jul)	219.5m	-1.5
Coconut oil (Philippines)§	$502.5y	+2.5
Palm Oil (Malaysian)§	$387.5y	-2.5
Copra (Philippines)§	$320.0	
Soyabeans (US)	£149.0w	+3.0
Cotton "A" index	67.00	
Wooltops (64s Super)	408p	+13.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	196.00	202.60	202.00	193.60
Dec	194.20	202.00	198.00	193.00
Mar	194.00	198.60	198.00	193.00
May	196.00	199.00	198.60	

White	Close	Previous	High/Low	
Dec	254.80	258.60	258.00	254.00
Mar	255.50	260.50	260.00	255.00
May	257.00	260.00	260.00	256.00
Aug	260.40	262.00	262.70	259.50
Oct	249.80	251.50	251.00	249.00
Dec	250.90		251.70	251.00

Turnover: Raw 1117 (208) lots of 50 tonnes. White 518 (591) Paris- White (FFr per tonne): Dec 1303.43 Mar 1332.14

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	20.28	20.31	20.32	20.21
Dec	20.30	20.32	20.33	20.22
Jan	20.22	20.25	20.27	20.23
Feb	20.12	20.18	20.16	20.04
Mar	20.04	19.94	19.99	
IPE Index	20.38	20.55	20.38	

Turnover 13500 (22500)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	186.75	187.25	187.25	185.50
Nov	190.50	191.00	191.00	189.25
Dec	193.25	193.75	193.50	192.00
Jan	193.75	194.25	194.00	192.25
Feb	190.75	190.25	191.00	188.75
Mar	184.50	184.25	184.50	183.50
Apr	180.50	180.00	181.00	179.00
May	177.50	177.50	178.50	177.00
Jun	177.00	176.50	176.25	176.00

Turnover 14824 (14892) lots of 100 tonnes

TEA

Landed strong and more active demand. New season's assams met increased support and showed advances of 5 to 15p although Pekoe dusts met less enquiry and proved irregular with plainer sorts easier. Bright liquoring East Africans remained firm with quality but prices for good medium teas opened 3 to 6p dearer and were up to 8p higher towards the close. Offshore good general demand with prices advancing by 5 to 10 pence. The highest price realised this week was 180p for an assam pf Quotations quality 150p good medium 135p medium 124p low medium 80p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	645	613	632	620
Dec	666	629	658	638
Mar	687	659	687	674
May	706	680	706	693
Jul	724	699	724	715
Sep	742	718	742	731
Dec	768	743	767	758
Mar	796	771	796	785
May	815	791	803	
Jul	833	811	826	822

Turnover: 6656 (5006) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 18 741.67 (763.68) 10 day average for Sep 21 778.46 (786.25)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Sep	806	761	805	768
Nov	816	776	820	780
Jan	821	787	825	794
Mar	834	804	835	809
May	825	805	822	806
Jul	830	813	817	

Turnover:3676 (3682) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 18: Comp. daily (46.37) 15 day average (46.26)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	68.6	57.6	60.0	59.0

Turnover 61 (15) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	135.00	133.00	
Feb	137.50	135.00	

Turnover - (20) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Sep	1045	1049	1045	1043
Oct	1125	1137	1130	1125
Nov	1140	1148	1141	1140
Jan	1170	1190	1180	1170
Apr	1225	1241	1240	1225
Jul	1076		1078	
Oct	1271	1290	1271	
BFI	1049	1049	1048	

Turnover 311 (247)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	117.25		117.25	
Nov	118.10	117.50	118.65	118.10
Jan	121.75	121.50	122.50	121.75
Mar	124.65	124.50	125.40	124.65
May	128.30	128.00	129.00	128.30

Barley	Close	Previous	High/Low	
Nov	115.00	115.40	116.35	115.00
Jan	119.00	119.50	120.35	119.00
Mar	122.60	122.00	122.60	
May	125.25	124.00	125.80	125.25

Turnover: Wheat 507 (226). Barley 209 (687).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	105.0		104.0

Turnover:3 (21) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,602 lots
Cash	1267-8	1249-50	1270/1268	1270-1		
3 months	1289-90	1270-1	1293/1276	1293-4	1292-2.5	183,583 lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,809 lots
Cash	1417-9	1382-5	1412	1411-2		
3 months	1441-2	1407-10	1444/1429	1435-6	1443.5-4	153,797 lots
Lead (£ per tonne)						Total daily turnover 5,892 lots
Cash	352-2.5	348.5-9.5	352.5/351	351-1.5		
3 months	363-3.5	359-60	364/361	361-1.5	363-4	27,874 lots
Nickel ($ per tonne)						Total daily turnover 5,334 lots
Cash	6845-50	6915-25	6835	6835-40		
3 months	6920-5	6990-5	7010/6905	6910-5	6910-20	28,427 lots
Tin ($ per tonne)						Total daily turnover 3,497 lots
Cash	6640-50	6690-700		6680-90		
3 months	6700-10	6745-55	6740/6690	6735-40	6700-5	10,918 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 17,052 lots
Cash	1372-74	1381-3	1373	1370-1		
3 months	1349-50	1357-8	1365-1343	1348-9	1349-50	68,092 lots

LME Closing £/$ rate:
SPOT: 1.7110 3 months: 1.6951 6 months: 1.6857 9 months: 1.6388

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	347.10-347.40	
Opening	348.90-349.30	
Morning fix	348.25	203.536
Afternoon fix	349.10	204 451
Day's high	349.80-350.10	
Day's low	347.00-347.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.39	6 months	2.37
2 months	2.36	12 months	2.39
3 months	2.36		

Silver fix	p/troy oz	US cts equiv
Spot	222.60	382.30
3 months	227.60	385.10
6 months	232.00	388.05
12 months	241.60	394.90

GOLD COINS

	$ price	£ equivalent
Krugerrand	348.50-351.50	205.00-208.00
Maple leaf	359.45-361.75	-
New Sovereign	84.00-86.00	49 00-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	30	62	3	12
1300	3	32	25	31
1350	3	13	71	62

Copper (Grade A)	Calls		Puts	
2350	83	106	3	28
2400	41	75	8	46
2450	14	51	32	70

Coffee	Nov	Jan	Nov	Jan
700	117	128	1	5
750	72	86	6	15
800	36	53	20	32

Cocoa	Dec	Mar	Dec	Mar
625	46	82	15	20
650	31	66	25	29
675	20	52	39	40

Brent Crude	Nov	Dec	Nov	Dec
2000	41	61	17	31
2050	16	35	38	
2100	6	20		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	347.5	351.2	0	0
Oct	347.8	351.5	348.6	347.0
Nov	348.5	352.1	0	0
Dec	349.4	353.0	351.3	348.3
Feb	350.8	354.4	352.6	350.0
Apr	352.2	355.8	354.0	351.8
Jun	353.7	357.3	355.7	355.0
Aug	355.3	358.9	0	0
Oct	357.0	360.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	363.7	365.6	364.5	363.4
Jan	360.0	362.4	361.5	359.5
Apr	358.0	360.4	360.0	359.0
Jul	358.0	360.4	360.5	360.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	380.7	384.7	381.0	380.0
Oct	381.0	385.0	0	0
Nov	381.5	385.5	0	0
Dec	383.2	387.2	384.0	381.0
Jan	384.5	388.5	0	0
Mar	386.9	390.9	388.0	385.0
May	389.4	393.4	389.0	388.0
Jul	391.8	395.8	0	0
Sep	394.3	398.3	0	0
Dec	398.4	402.4	398.0	397.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	107.40	107.95	108.25	107.40
Oct	107.75	108.15	108.30	107.60
Nov	108.10	108.55	0	0
Dec	108.40	108.80	109.20	108.30
Jan	108.45	108.85	108.75	108.75
Feb	108.45	108.85	0	0
Mar	108.50	108.85	109.05	108.70
Apr	108.35	108.70	0	0
May	108.10	108.45	0	0
Jun	107.90	108.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.69	9.10	9.05	8.64
Mar	8.68	8.95	8.90	8.65
May	8.75	8.96	8.92	8.72
Jul	8.75	8.98	8.95	8.75
Oct	8.74	8.94	8.91	8.69

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Oct	21.92	21.96	21.97	21.85
Nov	21.75	21.75	21.79	21.67
Dec	21.65	21.66	21.69	21.57
Jan	21.52	21.53	21.58	21.46
Feb	21.38	21.38	21.44	21.33
Mar	21.24	21.24	21.30	21.19
Apr	21.10	21.10	21.14	21.08
May	20.97	20.97	21.03	21.00
Jun	20.85	20.85	20.90	20.87
Jul	20.74	20.74	20.81	20.74

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	6217	6183	6250	6160
Nov	6298	6271	6330	6230
Dec	6386	6356	6405	6320
Jan	6405	6393	6445	6360
Feb	6308	6298	6340	6265
Mar	6078	6068	6105	6055
Apr	5883	5868	5900	5850
May	5753	5731	0	0
Jun	5668	5646	0	0
Jul	5643	5621	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	988	966	994	959
Mar	1040	1019	1045	1013
May	1072	1053	1075	1064
Jul	1100	1081	1082	1082
Sep	1129	1110	1118	1107
Dec	1166	1143	1148	1140
Mar	1203	1185	1200	1178
May	1228	1210	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	56.90	56.30	57.30	55.50
Mar	58.10	56.55	58.60	57.20
May	61.60	59.80	61.80	60.50
Jul	62.60	60.80	63.00	61.40
Sep	63.25	61.80	64.00	63.25
Dec	62.90	63.80	66.00	64.70

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.40	57.60	59.00	58.10
Dec	56.17	58.16	58.90	55.82
Mar	56.97	58.70	57.55	56.65
May	57.60	59.33	58.05	57.32
Jul	58.10	59.55	58.60	58.00
Oct	59.20	60.28	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	114.70	115.25	115.45	114.20
Jan	114.70	114.70	115.00	114.20
Mar	114.80	115.00	115.40	114.25
May	115.80	116.00	116.00	115.50
Jul	115.30	115.50	0	0
Sep	115.30	115.50	0	0
Nov	115.30	115.50	0	0
Jan	115.30	115.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 21	Sep 18	mnth ago	yr ago
1576.1	1560.3	1518.5	1646.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 18	Sep 17	mnth ago	yr ago
Spot	119.07	118.96	116.13	117.82
Futures	118.35	116.71	115.40	124.41

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	553/6	552/0	554/0	550/4
Nov	544/0	541/6	545/6	540/0
Jan	550/6	549/0	552/2	547/0
Mar	558/0	556/6	560/0	555/0
May	565/2	564/4	567/0	562/4
Jul	572/4	571/4	574/0	570/0
Aug	573/2	573/0	0	0
Sep	570/4	570/2	573/0	570/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.58	18.66	18.70	18.57
Oct	18.70	18.70	18.75	18.57
Dec	18.95	18.96	19.04	18.81
Jan	19.13	19.13	19.16	19.02
Mar	19.38	19.40	19.45	19.26
May	19.65	19.66	19.71	19.55
Jul	19.89	19.91	19.94	19.76
Aug	20.01	20.02	20.05	19.96

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	187.0	188.3	188.0	186.5
Oct	186.9	188.3	187.6	186.2
Dec	186.7	186.1	187.7	186.3
Jan	186.7	186.3	187.8	186.5
Mar	186.9	186.3	187.8	186.7
May	186.8	186.2	187.5	186.5
Jul	187.8	187.4	188.5	187.5
Aug	188.7	188.5	188.7	188.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	216/2	222/4	222/0	214/0
Dec	216/2	216/0	216/4	215/0
Mar	225/0	224/6	225/2	223/6
May	231/2	231/2	231/4	230/2
Jul	236/0	236/0	236/2	235/0
Sep	237/2	237/2	237/2	236/2
Dec	241/0	241/0	241/2	240/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	330/6	332/0	331/4	329/0
Dec	342/6	342/2	343/6	340/0
Mar	346/6	346/2	347/6	344/2
May	341/4	340/6	341/4	339/4
Jul	319/2	319/4	319/4	318/0
Sep	324/4	324/0	324/4	324/4
Dec	335/0	335/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.775	75.875	76.075	75.675
Dec	73.575	73.325	73.600	73.550
Feb	72.025	72.150	72.425	72.000
Apr	73.200	73.175	73.500	73.175
Jun	70.150	70.200	70.400	70.150
Aug	68.775	68.800	69.200	68.775
Oct	68.925	68.925	69.250	68.925

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41 150	40.525	41.200	40.850
Dec	42.100	41.650	42.150	41.650
Feb	40.825	40.450	40.900	40.500
Apr	38.925	38.575	38.950	38.700
Jun	44.300	44.150	44.350	44.150
Jul	44.200	44.150	44.300	44.100
Aug	43.200	43.075	43.200	43.100
Oct	40.425	40.325	40.450	40.350
Dec	42.250	42.000	42.250	42.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41 000	40.650	41.050	40.450
Mar	40.900	40.600	40.975	40.475
May	42.400	42 125	42.400	41.950
Jul	42.400	42 200	42.400	41.950
Aug	41.150	41.150	42.400	0

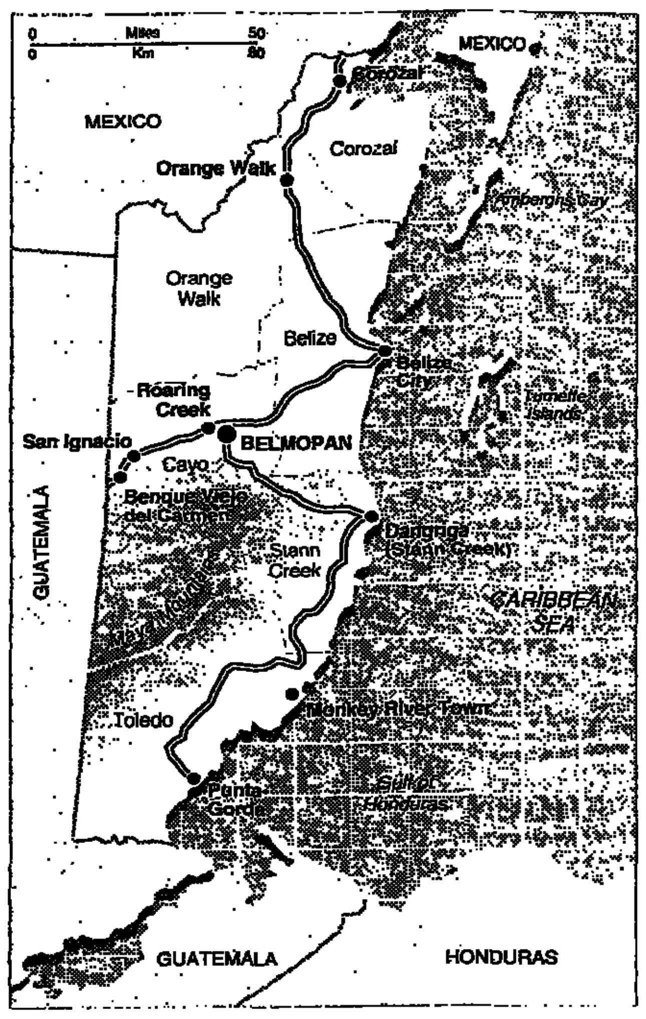
FINANCIAL TIMES SURVEY

BELIZE

Tuesday September 22 1992

Belize is a richer and more just society than many of its South American neighbours. Its judicial, political and educational systems work reasonably well. In spite of growing social problems, **Stephen Fidler** says it is possible to be optimistic about tomorrow

A bridge to the future



WHILE civil war ravaged the rest of central America in the 1980s, Belize remained an oasis of calm. As heavy debt and economic crisis engulfed Latin America, Belize achieved high growth and single-digit inflation. In a zone with a history of military regimes and political instability, Belize offered democracy and respect for the rule of law.

Belizeans are proud of what differentiates them from their neighbours; but their destiny will probably lie as much with the Hispanic countries surrounding them as it does with their traditional allies in the English-speaking Caribbean.

Belize is becoming, ethnically at least, more like its neighbours. An estimated 40,000 people – a fifth of the population – have arrived from neighbouring states over the past decade, fugitives from civil war or economic deprivation. The influence of the creoles – the Afro-European group that has traditionally dominated Belizean society – has meanwhile weakened because of emigration.

This has caused tension: the newcomers have provided the manpower for agriculture, the engine for growth in the 1980s. But they have put pressure on health services and schools.

The prime minister, Mr George Price, who with his People's United Party has dominated Belizean politics for 40 years, has spoken of the country as a bridge between central America and the Caribbean. This is a long way from reality, but it is part of a growing recognition among the mini-states of the two sub-regions of the costs of isolation.

Until last year, practical co-operation with the rest of central America was impossible because of Guatemala's claim over the territory of Belize. The claim delayed independence of Belize – known until 1973 as British Honduras – until 1981 and was the reason for Britain's maintenance of a garrison of 1,800 men and a squadron of Harrier jets.

Following guidelines hammered out between the two sides, Guatemala last year recognised Belize's independence. A final settlement will require further steps, including ratification in a referendum in Belize and concessions to guarantee Guatemala access through the Gulf of Honduras to the Caribbean.

These moves have allowed a lifting of the veto on Belize's membership of the Organisation of American States, to which it acceded in January 1991. Belize will also join the InterAmerican Development Bank in November.

The garrison still provides 8-10 per cent of the country's GDP, but its departure will not necessarily mean an end to the British military presence. As a training ground, Belize's jungle terrain is excellent.

A withdrawal would anyway have less economic impact now than in the past thanks in large part to the growth of agriculture. Agriculture and agro-processing account for a quarter of GDP, 40 per cent of employment and nearly 70 per cent of exports. However, four-fifths of all Belize's exports benefit from preferential market arrangements, some of which are threatened.

As a member of the Commonwealth, Belize exports to EC markets at low tariffs under the Lomé convention. Its agricultural products also have tariff-free access to the US under the Caribbean Basin Initiative (CBI), and the country also belongs to the Caribbean common market, Caricom.

The North American Free Trade Agreement between the US, Canada and Mexico is one threat. It may encourage Mexico to become a big citrus producer.A further extension of US free trade agreements to other countries in Latin America, proposed under President George Bush's Enterprise for Americas Initiative, would also erode the special position of CBI countries.

According to Mr Ralph Fonseca, minister of state in the ministry of finance: "The main tenet of our trade policy has been gradualism. We are saying give us to the year 2000 and we can take on anybody."

An effort is being made to preserve the culture of the Mayan people who make up 14.6 per cent of the population

This approach recognises the country's still heavy dependence on a few export products and its chronic trade deficits. Remittances from overseas – estimated to bring in US$15m to $17m a year – help balance this. So does tourism, which has grown to become the country's second most important source of foreign exchange.

Tourist attractions – rain forest, long expanses of coral reef and important Mayan sites – have potential for further development. Belize has, however, neither the desire, the labour force nor the beaches necessary to become a mass tourist destination.

The country also provides a positive reception for foreign investment. There are constraints such as a small labour force and mixed infrastructure: good telephones but poor roads and no access for large ships. Electricity is costly: 21 US cents per kilowatt-hour, almost three times that of the US.

It can also offer stability. Government handovers of power in 1984 and 1989 were achieved without big shifts in policy. The Belize dollar has been fixed since 1976 at two to the US dollar and inflation has been low. The government is fairly free of corruption. According to one businessman: "The worst thing you can say is that occasionally it favours its friends."

However, the bureaucracy is often slow. One businessman describes it as "expert in procrastination" and Mr Fonseca says the government recognises a need to modernise it.

The government is also selling commercial assets. The telephone company has been privatised, although the government retains a significant stake, and plans to sell the electricity company are being finalised. The privatisation programme has critics. Mr Manuel Esquivel, leader of the opposition, says that it risks being dominated by one company: Belize Holdings, controlled by Mr Michael Ashcroft, the controversial chairman of the British car auction and security group, ADT.

The government has also attempted to speed up development by increasing capital spending. This and its pay award to public sector workers of an annual 10 per cent for the next three years have increased anxieties that the government is forgetting its traditional fiscal conservatism.

Mr Keith Arnold, the central bank president, is worried that the government's revenues are falling behind its spending: "The government has sufficient funds for the next two to three years, but beyond that it will have to take care."

This will accelerate talk of fiscal reform. Although legislation has been passed to enable imposition of a value added tax, the government has been reluctant to implement it. Yet the tax system is outdated: most revenue is raised through taxing international trade.

The government also faces growing social problems. As migrants put pressure on health and education services, emigration to the US is tearing at the social fabric. Into this environment, cocaine has found its way. Belize has resolved one drugs problem – in the 1980s it was one of the top five suppliers of marijuana to the US; now most of the plantations have been eradicated. But it has developed another: on a line between Colombia and the US, Belize is used for cocaine trans-shipment. The Belizean middle men are paid in kind and they have seen to it that a cocaine habit has developed. As a result, crime, particularly in Belize City, is on the increase.

Yet, in spite of these problems, it is possible to be optimistic about the future. With per capita income of US$2,000 a year and a reasonable income distribution, Belize is a richer and more just society than many of its neighbours. Its institutions – its judicial, political and educational systems – work reasonably well. As Mr Geoffrey Hart, manager of Barclays Bank in Belize, says: "This country is not going to be a Singapore. It's no tiger but it has a lot going for it."

Many factors outside the country's control influence the economy

Dependence on agriculture

BELIZE faces an array of formidable short-term economic challenges.

Presenting this year's budget to parliament, Mr George Price, the prime minister and finance minister, said : "Not only is Belize a much more developing nation today, but we have started the process of preparing for the challenges of the 21st Century."

Many of the factors influencing the economy are outside the country's control. However, the country appears much more capable than many of its neighbours of dealing with the uncertainties of economic change.

The foreign debt of Belize, for example, is comparatively light. The per capita debt of $750 is less than half that of Jamaica to the east.

And Guatemala, to the west, carries a ratio of debt service to exports of 25 per cent, against Belize's 8 per cent.

Businessmen credit the present government and its predecessors with managing the economy in an enlightened way.

Some aspects of economic policy have aroused trenchant debate, but there has been remarkable consistency in spite of changes of administration.

Greater efficiency and economic expansion appear to be the common objectives. The economy is narrowly based on agriculture and tourism. Expansion in both sectors last year led to overall growth of 4.2 per cent. Inflation was 5.6 per cent against three per cent in 1990.

Last year, the economy grew at only half the average rate of the previous three years. Officials feel that this is preferable to the risk of overheating by over-rapid growth or of the inflationary tendencies in neighbouring countries.

The economy's biggest weakness is its lopsidedness, being dangerously dependent on agriculture which accounts for a fifth of the gross domestic product and three quarters of the country's export earnings.

Agriculture has three main supports - cane sugar, bananas and citrus - with seafood emerging as a fourth pillar. This is the focus of the uncertainty of which Mr Price speaks.

Belize depends on preferential access to food markets, all of which are subject to the globalisation of international trade. It sells sugar under quota to the European Community and the US. There is no immediate threat to its EC sugar market, but the emergence of the North American Free Trade Area has raised questions about continued access to the US being thwarted by Mexico.

Belize's citrus concentrate market, mainly in Florida, has been developed within the protection of a trade programme under which the US allows countries in the Caribbean Basin to ship a range of products duty free. Belizeans officials fear Mexican citrus will kill their market - the same fear they express for the small garment sector.

Some aspects of economic policy have aroused trenchant debate, but there has been remarkable consistency. Greater efficiency and economic expansion appear to be the common objectives

There is even more uncertainty over Belize's sales of bananas in Europe following the creation in January of the EC's single market. Belize, and the other traditional suppliers in the Caribbean Basin, are trying to maintain preferential access in the face of demands from Latin American exporters that there should be open trading in the fruit.

Higher wages and other costs make Belizean bananas more expensive, and less able to compete with cheaper Latin fruit. Mr Ralph Fonseca, the junior finance minister, says that while Belize is worried about the impact of free trade on its export markets, it is not against the principle of free trade.

"Belize can respond to the changes, but we need time," says Mr Fonseca. "There must be a gradualist approach to all of this or small countries such as ours will not be able to survive."

The dangers were illustrated last year when poor weather depressed citrus and bananas, and the global recession cut the number tourists, contributing to the slowdown in economic growth.

Efforts are being made to widen the base of the economy. However, this is impeded by some fundamental infrastructural deficiencies such as lack of energy. High energy costs, for example, are an obstacle to an expansion of agro-industry and commerce. A $180m hydro-power station is under construction which, it is hoped, will provide more power more reliably, and eventually at cheaper rates.

This, with expansion of the new offshore financial services sector, plans for attracting foreign investment in information services and data processing, and Belize's potential for being an entrepôt for Central America with the coming end of the territorial dispute with Guatemala, promise some relief from the often fickle traditional sectors of the economy.

There is also a controversial trend towards privatisation of state enterprises. The government has sold off the public telecommunications company, and also plans to privatise the electricity utility.

There is even a possibility the main port in Belize City will go on sale, followed, at some stage, by the country's international airport.

Mr Price talks of a "dynamic partnership" between government and the private sector, in which the private sector gains a bigger role and the government concentrates on managing those things which it has to do.

"Privatisation is part of a gradual move to liberalise the economy in keeping with what is happening in the rest of the world," says Mr Fonseca.

However, his enthusiasm is not shared by Mr Manuel Esquivel, the opposition leader. "People who see what the government is doing have realised that this is not a genuine privatisation," he says. "The government appears to be making these decisions without regard to the consequences and to public opinion. The government has not yet brought itself to say publicly that privatisation is the result of a correct policy to which it is committed."

Much of the debate over privatisation centres on Mr Michael Ashcroft, chairman of the UK/Bermuda ADT Group, and whose Belize Holdings ,registered as an offshore company, is a large investor in the telecommunications industry.

Businessmen say they would not be surprised if Belize Holdings also took a significant share in the power company. "Privatisation so far is a compact between the government and one individual, Mr Ashcroft," claims Mr Esquivel. This is denied by Mr Fonseca who says: "It was Mr Esquivel's administration which invited Mr Ashcroft to invest in Belize."

Deregulation is also evident in parts of the foreign exchange market where commercial banks are allowed to settle some current payments. No such latitude is being allowed over more fundamental matters such as the exchange rate which has been fixed at B$2 to the US dollar since 1976.

However, there are also danger signals. The deficit on visible earnings has been widening and last year there was an overall balance of payments deficit for the first time in seven years.

There is also concern at trends in the fiscal accounts. "We are concerned over revenue and expenditure," says Mr Keith Arnold, governor of the Central Bank. "Revenue growth is not improving but there is expansion in expenditure, especially for wages and salaries and capital expenditure."

Yet even these indicators cause little overt alarm. The general feeling is that Belize is doing well.

"Economically, we are not running, but we are crawling," says Mr Barry Bowen, a leading businessman. "We are babies and we are just beginning to learn how to move."

Canute James

POLITICS

A dominating personality

FOR MORE than 40 years, the politics of Belize has been dominated by one man and one party. Mr George Price helped to form the People's United Party in 1949. This move – a response to the devaluation of the British Honduras dollar which hit the pockets of Belizeans – established an anti-colonialist party which the British originally viewed with suspicion.

This suspicion lifted over the next 15 years, and Belize would undoubtedly have claimed full independence in the 1960s were it not for the Guatemalan claim over Belize. In 1964, the country became self-governing, except for foreign policy, defence and internal security. Full independence was gained on September 21, 1981.

The PUP won the six general elections held from 1954 to 1979, losing to the opposition United Democratic Party in 1984. Against the odds, it narrowly won the 1989 general election - with a narrow 15-13 majority in the House of Representatives. Its majority was strengthened after one opposition deputy switched to the government benches.

Unmarried, austere and a devout Catholic, Mr Price, 73, is seen as likely to fight the next election, which must be held by 1994. The prime minister, the last of the generation of post-independence commonwealth leaders, has no obvious successor within the party. Those seen as most likely to succeed him are Mr Said Musa, foreign minister, and Mr Florencio Marin.

Although the party rhetoric would suggest otherwise, the policies of the two main parties have proved hard to distinguish. Although ostensibly more populist than the pro-market UDP, the PUP in government has followed similar policies in favour of privatisation and continued investment.

This has calmed the disquiet among investors following the 1989 election which the PUP won by appealing to nationalist sentiment with the slogan "Belizeans first" and charges that the UDP had allowed foreign speculators to dominate the economy. The US embassy's assessment of the investment climate in the country remains "excellent".

Mr Manuel Esquivel, the UDP leader and former prime minister, agrees the "PUP were more effective in fighting the election than we were".

Since the election the opposition has split over the aimed-for settlement with Guatemala, which Mr Esquivel's party has supported. A faction, led by Mr Philip Goldson, a respected senior politician, has ceded from the UDP and formed a new party, the National Alliance for Belizean Rights.

Mr Esquivel says his party sacrificed "party integrity in favour of national integrity" in supporting the government over the Guatemalan settlement. "We felt this was an opportunity to end this problem once and for all by making a minor concession to solve a major problem."

This may add to his problems in fighting the municipal elections in March. But he says that in the the long run the UDP will not be hurt, since the NABR is a one-issue party.

Stephen Fidler

KEY FACTS

Area	22,960 sq km
Population	194,300
Head of state	Queen Elizabeth II
Currency	Belizean dollar (B$)
Average exchange rate	1990-92 US$1 = B$2.00 (fixed)

ECONOMY

	1990	1991	1992
Total GDP ($m)	366.6	395.6	n.a.
Real GDP growth (%)[1]	8.9	4.2	n.a.
GDP per capita ($)	1,654	1,721	n.a.
Agriculture as % of GDP	19.3	18.4	n.a.
Inflation rate (%)[2]	3.0	5.6	5.0
Trade[3]			
Current account balance ($m)	15.2	-49.3	24.2
Exports ($m)	129.2	119.8	42.1
Imports ($m)	188.4	223.6	54.6
Trade balance ($m)	-59.2	-103.8	-12.5

Main trading partners (%)[4]	Exports	Imports
US	39.5	53.8
EC	32.8	20.8
UK	29.5	12.8
Mexico	9.7	8.8
Jamaica	4.6	2.1

Notes. 1 Percentage change over previous year. 2 Percentage change over previous year, 1992 is Q1.92 over Q1.91. 3 1992 trade figures for Q1 1992. 4 Percentage share by value in 1991

Source: Belize Govt, IMF, Datastream, EIU

BANKS AND FINANCIAL SERVICES

Change on the way

THE steady expansion of Belize's economy over the past decade has placed new demands on its financial services sector.

Changes are being made to domestic banking and the government is putting into place legislation to develop an offshore financial services sector.

The 20-year-old Banking Act has worked well, says Mr Keith Arnold, governor of the central bank, but aspects of it need to be updated. The new act, similar to legislation in the Caribbean islands, will be completed by the end of next year.

"We are making sure that we do not encounter any problems, and we have learned lessons from developments such as those which have accompanied the operations of the Bank of Credit and Commerce International," says Mr Arnold.

The new legislation will strengthen the central bank's supervisory systems, allow greater protection of the clients of financial institutions, and changes mandatory capital requirements. The impending changes, officials are keen to emphasise, are merely protective.

Belize's one bank closure recently was that of a branch of a state-owned Mexican institution which was divested. There are four commercial banks, two of which are locally owned. "The country is adequately banked and is well-served by the number of banks it has," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize.

New legislation is also planned to improve the country's offshore financial services sector. "We need to look at the possibilities of offshore banking," says Mr Arnold. "We recently had a few inquiries about setting up offshore banks in Belize but our legislation does not provide for these institutions and we need the regulatory framework."

The indications of interest in offshore banking followed the opening of an International Business Companies register in 1990, similar to that of the British Virgin Islands. The 350 companies registered so far do not pay taxes and are not allowed to do business in Belize.

The emergent offshore business sector has also had success with its shipping register which lists 129 vessels. New legislation has been enacted to encourage the creation of trusts. "This new law ... applies to all trusts including charitable, non-charitable purpose trusts and offshore trusts," explains Mr Glenn Godfrey, the attorney-general. "The trustee is regarded as non-resident in Belize for the purposes of exchange control."

Thought was given by the government to the creation of a stock exchange, but there was not enough business to support a market. An alternative was found in the creation of public investment companies .

Canute James

Foreign relations

Political bridge

VISITORS arriving at the international airport see an immediate and graphic illustration of Belize's relations with its neighbours.

On either side of the runway and around the airport are camouflage netting, anti-aircraft guns, helicopters and fighter aircraft ready for action.

The trappings of the British military garrison in Belize, they represent a passing phase in the country's foreign policy. The garrison's purpose had been to deter aggression by Guatemala which had threatened to invade in pursuit of a 130-year-old territorial claim.

Now, however, Belize and Guatemala are heading towards a diplomatic solution of their differences. Belize is also hoping to make friends of other Central American countries which had backed Guatemala's claim. The role of the British troops will then change: they are likely to stay for training purposes.

Belize is both Caribbean and Central American. It sits between two regions *which have been economically, politically* and culturally poles apart.

Once the dispute with Guatemala is settled, Belize should be able to act as an economic and political bridge between its immediate neighbours and the archipelago to the east.

It is a member of the Caribbean Economic Community (Caricom) which is struggling to create a customs union, a monetary union and a common market. It shares with its antillean neighbours many of the economic difficulties and uncertainties of small economies. Belize might even become involved in other efforts at economic integration, such as the emerging common market in Central America.

Mr George Price, Belize's prime minister, and his predecessor in office, Mr Manuel Esquivel, have attended summits of the Caribbean Community. Recently, Mr Price was invited to observe summits of Belize's Latin neighbours.

"Belize is now is a position to do more in Central America because we have now established diplomatic relations with Guatemala," says the prime minister. "There have been two meetings of Caribbean and *Central American ministers to discuss* bananas. Belize has also attended two Central American summits."

The West Indian Commission, which has been studying ways of increasing the level of integration of Caribbean economies, also concluded that Belize can play a pivotal role in bridging the gap between the Caribbean and Central America.

"A further objective of Caricom policy must be the exploration of possible levels of economic relationships with the Central American countries," the Commission concludes. "Here, in fact, are the makings of a system of competition between the two sub-groupings of the Caribbean Basin ... in industrial and agricultural exports."

It says that thanks to its location and its political inclinations Belize is naturally at the forefront of co-operation between the *two regions. But Mr Esquivel feels that too* much is being made of the role which Belize can play in bringing the Caribbean and Central America closer together.

Belize, he says, cannot be an effective bridge between the two regions because it has no influence in Central America. "Because of the Guatemalan claim we have been ostracised by Central America and we have kept out of Central American affairs, so we cannot claim any influence in Central America," he concludes.

"Our political and economic influence in the Caribbean is minimal as well because of our geography. Rather than being a bridge, we are desperately trying to straddle two regions to keep our balance." There is one very real and seemingly intractable problem which divides the Caribbean islands and Central America, *and which could determine the value of a* friendship with Belize.

The creation of a single European market in January has put a question mark over the preferential market for bananas which Belize, the Caribbean islands and other developing countries have in Europe. The EC is struggling with a formula which satisfies the desires of the traditional suppliers, such as Belize, to maintain preferential access, while meeting the demands of the tendency towards freer international trade, as being demanded by Latin American producers, including Belize's immediate neighbours.

The disagreement threatens to abort any hopes of meaningful co-operation between the Caribbean and Central America. Mr Price has attempted to close the gap on bananas through meetings of government officials and ministers from the two regions.

Inevitably, there has been effective technical co-operation between Belize and its Central American neighbours. Matters such as dealing with Latin America's cholera epidemic, a common approach to the problems of refugees in the region, and restoration and preservation of Amercan Indian artefacts, have provided ground for Belize's integration into the region in the wake of better relations with Guatemala.

Mr Ismael Garcia, Belize's ambassador to Central America, has concluded that there is now an opportunity for meaningful co-operation in trade and agriculture. Belize once gained substantially from transhipment of exports and imports for southern Mexico.

"Belize could prosper from the fact that it is English-speaking and could be an entrepôt such as Panama was," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize. "This country could, for example, warehouse material for distribution to Central America. There are opportunities for Belize to be Europe's gateway to North American Free Trade Area."

The next stage in Belize's efforts at being a good neighbour, however, will be determined by others. The Guatemalan government's proposals for resolving the territorial dispute are being contested in a constitutional court. Much hangs on the court's decision. Belize's relations with its Central American neighbours still hinge on its ties with Guatemala.

Canute James

The open door policy is under strain

Haven for refugees

CENTRAL AMERICA's dirty wars have left Belize with one of the world's least known refugee problems: Belize has absorbed in 10 years an influx of foreigners equivalent to one-fifth of its population.

In most countries, this would have brought about a surge of resentment and possibly riots. In Belize, in part because of its sparse population, it has been viewed with equanimity. There are signs, however, that the early tolerance to the newcomers is wearing thin, which has forced the government to shift its *laisser faire* stance on the issue.

According to Mr Ismael Garcia, the country's ambassador to central America and Panama, most of the migrants to Belize are from El Salvador, accounting for perhaps 75 per cent of the estimated 30,000 to 40,000 foreigners who have entered Belize to settle.

Some 20 per cent are from Guatemala, and the remainder from Honduras and Nicaragua. Honduras used to provide the seasonal workers for agriculture in Belize but the place of these transient workers has now largely been taken by more permanent residents.

Mr Garcia said refugee cards are held by about 7,500 heads of households, suggesting perhaps 20,000 people would be officially defined as refugees. The children of other migrants born in Belize would also be entitled to citizenship.

Belize has never established refugee camps, and refugees are free to move across the country. Many take over land and set up small farms, a practice generally tolerated by the government. However, relations between the previous government and the United Nations High Commission for Refugees did at times become tense. They have since relaxed, with the government signing in 1990 the UN convention of 1951 and the 1967 protocol that governs refugees' rights.

The pace of immigration has slowed since the peak years in the mid-1980s. With the prospect of peace settling over central America, some migrants have started to trickle home.

However, there is little doubt that the settlers are overstretching the country's education and health services. At least 60-70 per cent of the people using Belmopan's hospital, for example, are migrants. An estimated 90 per cent of the immigrants to Belize are illiterate and unskilled.

Even though the migrants are recognised as making an important contribution to the growth of the agricultural sector in the last decade – taking jobs for pay most Belizeans would not consider working for – there is a growing sentiment that the newcomers are depriving Belizeans of jobs.

The government's recent statements have reflected this disquiet. The foreign minister, Mr Said Musa, said in June: "The time has now come for us to make a clear distinction between those who are genuine refugees and those who are economic migrants." This policy aims at restricting entry of economic migrants and enforcing the law concerning illegal aliens. Voluntary repatriation will be encouraged.

The policy is, however, more easily stated than enacted. The border between Belize and Guatemala is highly porous and difficult to police, and the prospect of round-ups of "illegal aliens" is not one the government relishes.

However, economics will continue to make Belize attractive for most central American peasants: farm workers can more than double the $4 a day they earn in Guatemala. Neither do the population pressures in the other countries exist in Belize.

Stephen Fidler

Stephen Fidler *discusses the diverse ethnic mixture*

Streams of history

TWO important developments are putting strains on the traditional harmonious relations between Belize's diverse ethnic groups.

In the last decade, the country has absorbed between 30,000-40,000 migrants, the equivalent of 20 per cent of its population, from elsewhere in central America. Meanwhile, emigration to the US continues among Creoles, the group that traditionally dominates the business and political elites.

These changes are having a profound impact on the country's economy and its demographic make-up. The new settlers are putting pressure on the overstretched hospital, social and education systems.

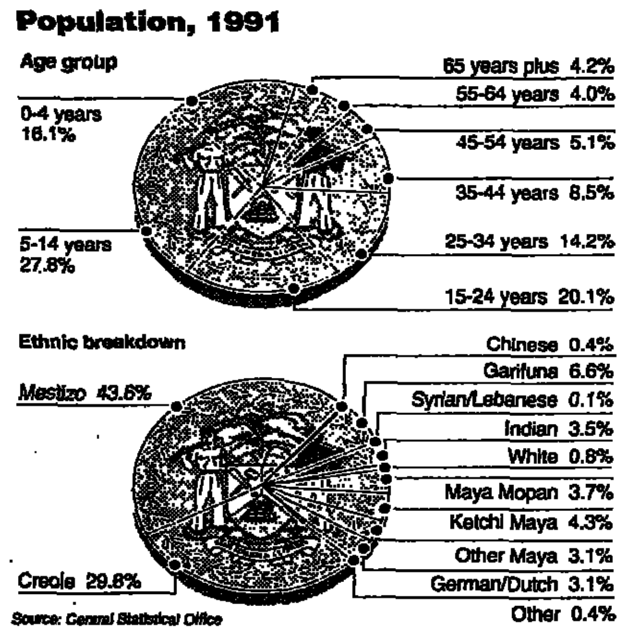
The ancestors of the Creole population carved out what in 1862 became the colony of British Honduras from an Hispanic hinterland. But as a result of the growing numbers of settlers, they fear that they are "losing their country" to Spanish speakers who form a majority of the population.

The migrants have, however, provided this sparsely-populated country with an important resource, agricultural labour, which has underpinned the last decade of growth. The Creoles have no tradition of agricultural work, partly because they were discouraged from doing so by the British who were solely interested in the region's logging potential, and prefer better-paying jobs in management, transport and government.

Remittances from Belizeans in the US – amounting to an estimated $15m-17m a year, about 4 per cent of gross domestic product – also help to balance the country's chronic trade deficit. But the emigration deprives the country of many of the most promising products of its education system and one-third of all Belizeans now live in the US.

Forty-four per cent of the population is under 15 years of age. A priority for the government, according to the prime minister, Mr George Price, is to encourage Belizeans to stay at home. But it will be a tough task. Just as Belize's relative wealth provides an irresistible attraction to the poor peasants of neighbouring Guatemala – Belize's per capita income is more than double Guatemala's $900 a year – so the prospects of riches in the US (whose per capita income is more than 10 times that of Belize) will continue to lure Belizeans.

Population, 1991



Source: Central Statistical Office

The country's main ethnic groups are as follows:

■ Creoles: this group now makes up slightly less than 30 per cent of the population, according to the 1991 census, published this month. Speakers of English and an English-derived patois, they are descendants of slaves brought over from Jamaica and baymen, the British who settled around the Bay of Honduras. They are concentrated around Belize City, where they make up about 68 per cent of the population.

■ Mestizos: now the largest group, the mestizos account for just under 44 per cent of the population, compared with 33.4 per cent who defined themselves as of mixed blood in the previous census in 1980. This group, which speaks Spanish as a first language, is largely descended from the mixed-blood Mexicans and Mayan indians who fled Mexico in the 19th century. Their numbers are being supplemented by more recent migrants, escaping conflict *and poverty in other parts of* central America.

■ Garifunas: concentrated in the Stann Creek area to the south of Belize City, the Garifunas are the descendants of mixed-blood Africans, Carib indians and Europeans, who arrived in the area in the 19th century. Speaking English and a language of their own, the Garinagu, as they call themselves, make up about 6.6 per cent of the country's population, according to the 1991 census.

● Mayans: people who define themselves as Indian or Mayan make up 14.6 per cent of the population, according to the latest census. They are concentrated in northern, western and southern Belize and form several groups, some of whose languages are mutually incomprehensible. While an effort is under way to preserve their culture, many are adopting Spanish or English as a first language.

■ Mennonites: This group of fair-skinned Europeans began arriving from Mexico and Canada in the late-1950s, seeking freedom of religion and freedom from state interference. Concentrated in the north and north-west of the country and retaining their German language, they make up 3.1 per cent of the population. Easily recognised by the men's dark trousers and check shirts and the women's long dresses and headscarves, the Mennonites have made significant contributions to the country's agriculture.

Farmers are switching to new products, writes **Canute James**

Yes, we have too many bananas

THE government of Belize has taken to buying old bulls in an effort to beef up its livestock industry.

It buys them from farmers, and then provides the farmers with access to younger stock of a higher quality.

Small livestock farmers can also benefit from the loan of a young cow. When the beast has gained significant weight it is sold, with the farmer keeping the value added while it was in his care.

Such innovations are part of Belize's attempt to deal with three problems which trouble agriculture:

- over-reliance on the traditional and now uncertain sectors of sugar, bananas and citrus;
- high operating costs;
- access to credit for small farmers.

"Farm credit is a major problem for agriculture," says Mr Michael Espat, the minister of agriculture and fisheries.

"Commercial banks are not keen to give credit to the sector, and are interested more in short term credit at high interest rates. We are trying to get a small farmers' bank established which will give loans at 8 per cent, against the market rate of 12 per cent to 13 per cent. It will be established with B$5m from the divestment of the government's holdings in state enterprises."

Bankers say there is no reluctance to lend for agriculture. "People with good projects and good track records are not turned away," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize.

"The government's agencies handle many such loans and the farmers' bank is planned. These are more than adequate for developmental purposes in Belize."

In spite of these problems, non-traditional agriculture has been expanding. Beef production, for example, has grown to allow exports, on the hoof, over the border to Mexico's Cancun province.

Mr Espat reports that the country is self-sufficient in poultry meat and eggs, and an expected 50 per cent increase in rice production this year, lifting output to 15m pounds, will satisfy local demand.

The country's proximity to the US and Canada offers a growing market for tropical and exotic fruit. Officials report increasing local and foreign interest in cashews, pineapples, ginger, papayas and avocado.

More significant, however, is the promise of continuing expansion of seafood production and exports, and which earned the country B$20m last year, 15 per cent more than 1990.

Lobster, shrimp and fish are finding markets in North America, Europe and the Far East.

Shrimp exports are set for significant growth in volume from last year's 500,000 pounds. Two shrimp farms have been established which, at full production, will each produce 1m pounds a year.

In addition to their headaches over credit, farmers face a few other difficulties. Although official figures point to a labour surplus, the farming sector has difficulty finding enough workers.

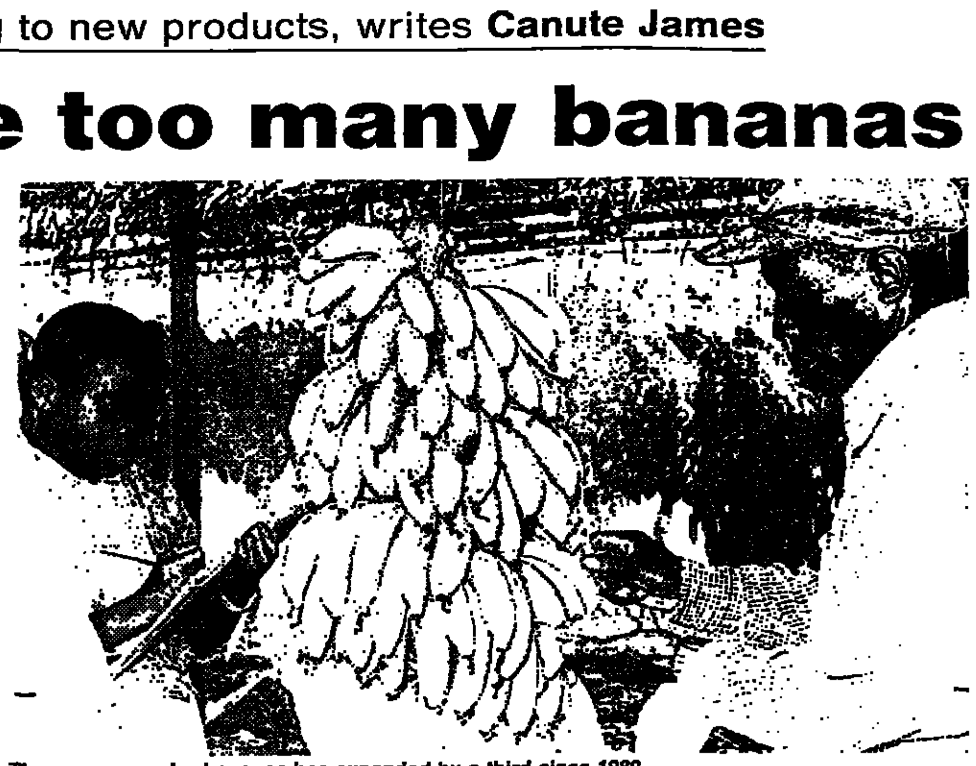
The shortage has been eased by the influx of refugees from Belize's neighbours, who are willing to do work refused by some native Belizeans.

Expansion of agro-industry is also difficult. The minimum wage of Belizean workers is twice as big as in neighbouring countries.

Electricity costs will remain high for several years until a hydro-electric station which is being constructed becomes fully operational.

Large-scale, commercial processing and refrigeration of meat products, for example, is not attractive.

"The inputs for agriculture in Belize are very costly," says Mr Joe Smith, director of agricultural projects. "There is a high cost for fuel, wages and chemicals, for example, and this puts agriculture at a significant disadvantage."



The acreage under bananas has expanded by a third since 1989

In spite of the promise of rapid and significant expansion in the non-traditional products, Belizean agriculture will continue to depend for some time on its main sectors. But these face an uncertain future. Sugar, bananas and citrus are dependent on preferential markets in North America and Europe.

Current changes in international commerce such as the global tendency to freer trade, the emergence of the North American Free Trade Area (NAFTA), and the creation of a single European market in January all threaten a sector which accounts for one fifth of the economy.

Raw sugar, totalling just over 91,000 tonnes last year, is sold under quota to the European Community and the US, and at prices significantly higher than those prevailing on the world market.

The country also sells to the world market after domestic demand has been satisfied. While there is no immediate concern over the future of the EC sugar quota, there are already doubts over continuing preferential access to the US with the emergence of NAFTA. Indications of increased access to the US for Mexican sugar has left Belize and its neighbours concerned that their quotas will be phased out.

There is similar concern about exports of orange and grapefruit concentrate, most of which go to the US under a preferential trade programme for several Caribbean Basin countries.

Easier access to the US for the Mexican product will damage Belizean citrus which suffered last year from poor weather, but which is expected to do better this year. Like other traditional suppliers of bananas to the EC, Belize is caught up in a battle to retain preferential access after next January.

Its neighbours, who produce at a lower cost, are arguing for an open market on which the Belizean fruit will not be able to compete. "We have been told our access to the EC will be at the 1990 level of our exports but the growers are asking for the access to be at that which we expect to be exporting in 1997," says Mr Espat. "1990 was a bad year for exports as floods and disease depressed production."

The acreage under bananas has expanded by a third since 1989, and the industry's goal is to lift exports to 100,000 tonnes, six times the 1989 level, by 1997.

While agriculture has a central role in the country's economy, there is no political consensus about its future. "We have a simple economic plan, and that is to grow as much food as we can," says Mr George Price, the prime minister. "We must meet our local demand for food, and then look to exporting."

Mr Manuel Esquivel, the opposition leader, disagrees: "there is over dependence on agriculture in the economy," he argues. "Agriculture is important, but we cannot hang our hat on this alone as we cannot do anything about the market."

FORESTRY

Chewing gum regains its old-time flavour

THE CHANGING tastes of gum chewers are playing a small part in the revitalisation of Belize's once valuable market for forest products.

The country had been a significant supplier of chicle, the base for chewing gum, but lost the market to synthetic substitutes. Chewers again favour the natural material and Belize is looking at an increase in chicle production.

There is unlikely to be any similar expansion in the export of other forestry products, including hardwoods and dyes, which were once the mainstay of the economy.

This activity, and the use of "slash and burn" techniques by peasant farmers, damaged significant areas of woodland. Now there is a more enlightened approach with the emphasis on sustainable development which seeks a careful balance between exploitation and natural and artificial regeneration of the forest.

The concerns were dramatically illustrated a few years ago when environmentalists objected to plans by the Coca Cola Company of the US to grow citrus on a large tract of land it had bought in Belize.

There were threats to boycott Coca Cola products internationally. The company balked and presented the land as a nature reserve to the Programme for Belize, a private, non-profit corporation which is trying to achieve a balance between conservation and sustainable economic development over the 200,000 acres which it manages.

"We are trying to get sustainable forest projects in which there is a balance between the business aspect and concern for the environment," says Ms Joy Grant, managing director of the Programme for Belize. "For example, we would like to extract chicle and manufacture gum locally."

Belize's forests are also being put to work by the growing tourist industry, in particular, for holidays with an environmentalist theme. Officials say nature trails have become more popular and that Belize has a growing reputation among bird watchers and nature lovers.

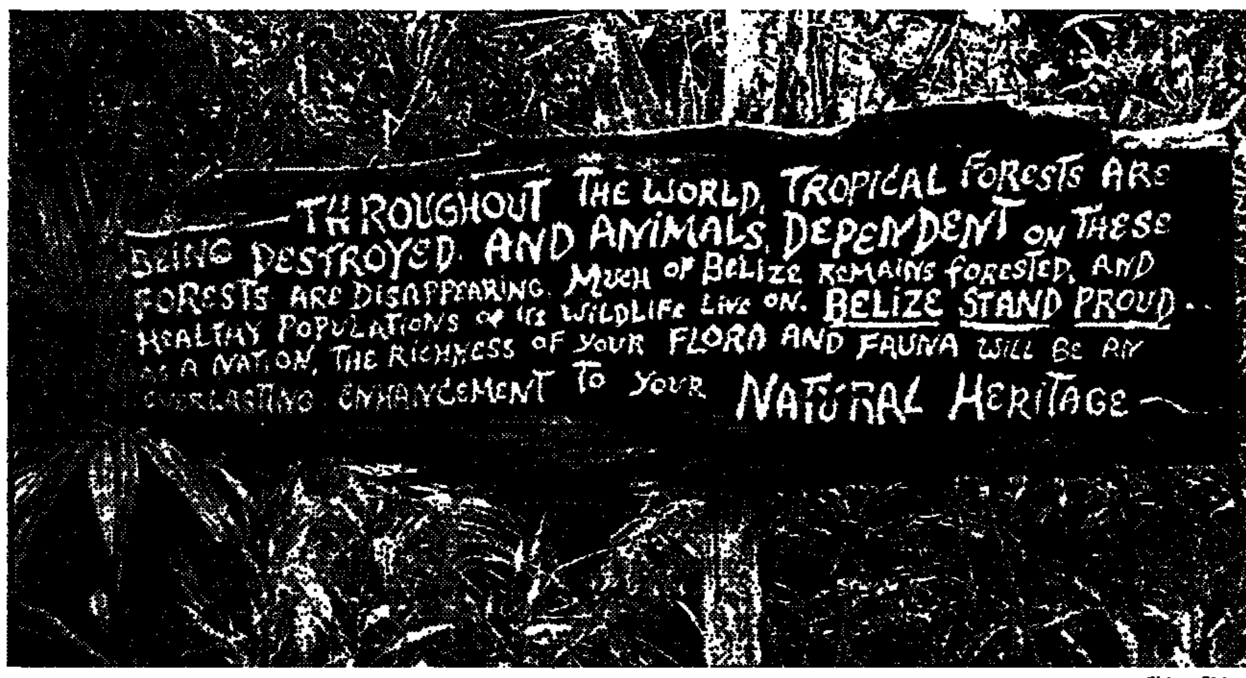
Traditional forest industries still continue, but at a reduced level. "There is production of pine, mahogany, rosewood and a range of hardwoods," reports Mr Joe Smith, director of agricultural projects. "These are used for local industry and some for export. Resin from pine is being extracted and exported for use in chemicals and adhesives."

Exports of sawn wood products last year reached 3.8m board feet, 65 per cent more than 1990 exports. The trend is continuing, with exports in the second quarter of this year being 25 per cent higher than the same period of 1991. The government is keen on adding value to exports by increasing the quantity of processed wood and furniture, while reducing shipments of sawn timber.

The production of wood veneers has started, but the forestry sector suffers from inadequate curing milling and facilities.

"It is the concern over the indiscriminate use of the forest which has caused the decline in the export of forest products over the past few years," explains Mr Smith. "The forest has not yet fully recovered from exploitation. Our approach to forestry now is more enlightened because of our concern over the impact on the environment."

Canute James



Picture: Richard Johns

Sign of the times: the commitment to conservation has developed in a haphazard way

The country's 450 cayes are a paradise for scuba divers

Beautiful, multi-faceted jewel

CONSERVATION and tourism have become almost synonymous in Belize. Mr Glenn Godfrey, minister of tourism, calls the country a beautiful, multi-faceted jewel.

It boasts the longest barrier reef in the western hemisphere, and has 450 beautiful cayes which are a paradise for snorkellers and scuba divers. It also has some of the best preserved rain forests in the world in spite of extensive logging, as well as the beautiful Mayan mountains and their archaeological remains.

Government tourism policy does not aim at large-scale ritzy developments such as Mexico's Cancun and Ixtapa but smaller-scale projects, where possible under Belizean ownership and retaining maximum added value for the country while respecting its traditional, eccentric social fabric.

The commitment to conservation has developed in a fairly haphazard, incoherent way. Foreign institutions have played a significant role - most notably the World Life Conservation International, an offshoot of the New York Zoological Society. Nationally, the driving force has been the Belize Audebon Society.

US conservationists are concerned about birds which emigrate north. Experts believe Belize may have as many as 500 species, many of which are endangered.

Individuals have also played a big part in conservation projects. Alan Rabinovitch's fanatical and hair-raising research on jaguars and determined lobbying led to the establishment of the Cockscomb basin wildlife reserve where up to 100 are believed to survive.

Another notable contributor has been Dr Robert Horwich who helped establish the somewhat inaptly named Community Baboon Sanctuary devoted to the threatened Black Howler monkey.

He has also assisted in resettling the primates at Cockscomb where they were wiped out by yellow fever and Hurricane Hattie.

The Programme for Belize, funded with foreign donations, now has 200,000 acres under management in the Rio Bravo area. Coca Cola Foods donated 92,000 acres having purchased the land from Mr Barry Bowen, a leading entrepreneur. The company renounced plans to plant citrus there after German conservationists objected.

In turn, Mr Bowen, has cleared only 2,200 acres of his magnificent jungle territory, leaving another 130,000 virgin for the cause and adjoining the Rio Bravo estate. At the last official count Belize had 33 reserves under varying degrees of protection and management totalling 2.2m acres or about a quarter of the country's territory.

"Everyone has been encouraged by the reaction of the public," says Mrs Janet Gibson, who is assisting the fisheries department in drawing up the coastal zone management plan.

Developments on the coastal strip are threatening a vital eco-system including the mangroves with their capacity to contribute to fisheries. They cover an estimated 80 per cent of the shoreline. The fate of the manatee, or sea cow, and other marine creatures, are also at stake. Ambergris is the main tourist centre but it is overpriced and has serious water and sewage problems. A plan to increase its potential is about to be submitted to the cabinet.

Belize's small population is probably the main reason why it remains an environmental paradise. However, this could be threatened by demographic changes, which may result from the arrival of some 40,000 Guatemalan and Salvadorean refugees.

They, like the indigenous Mayans (about 11 per cent of the population), practise slash-and-burn agriculture while shooting and eating monkeys and parrots.

Devising ways of tapping timber resources without wholesale destruction of forests is also a problem. So, too, is finding the manpower resources to police the reserves.

For the time being, therefore, it may be advantageous that the country's tourist infrastructure remains relatively undeveloped.

Richard Johns

LONDON STOCK EXCHANGE

Advance checked as optimism cools

By Terry Byland, UK Stock Market Editor

A HIGHLY erratic session in UK equities yesterday left share prices drifting lower as investors suspected that their enthusiasm for substantial reductions in domestic interest rates might have been overdone. Lukewarm Maastricht support in France, discouraging comments on interest rate prospects from the Bundesbank president, and the continued slide in sterling all suggested that the two percentage-point cut in UK base rates effectively factored into the UK market last week might have to be postponed.

However, it was only the timing of such interest rate cuts which came under scrutiny. Market strategists remained convinced that base rates will come down and that yesterday's fall of 6.9 points to 2,560.1 in the FT-SE Index represented nothing more than mild profit-taking in a stock market which has risen by nearly 10 per cent since the middle of last week and has attracted heavy investment interest from the institutions.

The final picture did little justice to a session which saw the Footsie trade through a near 50 point turnaround. The day started early, with some marketmakers open for telephone trading at 6.30am, when shares moved up quickly as they responded to an optimistic response to the French Maastricht vote and to US buying orders which had been left with brokers overnight, on instructions to "buy if the French vote yes." The Footsie is not calculated at that hour but dealers estimated the early gain at around 25 points.

Account Dealing Dates		
*First Dealings: Sep 7	Sep 21	Oct 5
Option Declarations: Sep 17	Oct 1	Oct 15
Last Dealings: Sep 18	Oct 2	Oct 16
Account Day: Sep 28	Oct 12	Oct 26

*New time dealings may take place from 8.30 am two business days earlier.

Then, at 8.30am, the Seaq electronic system was switched on and the Footsie was immediately pulled back by ex dividend quotations on 15 per cent of its components, including such big names as Shell, Glaxo and Guinness.

UK institutions then took a look at the share prices boosted by their US counterparts and decided not to play. Within a few moments, the early gain had been replaced by a fall of 15.1 on the first official calculation of the Footsie.

Five minutes later, the stock index futures market opened and a strong premium on the December contract on the FT-SE Index, which took over leadership only on Friday, reignited some of the buying frenzy seen in equities last week.

Some London analysts believed that comments by Mr Norman Lamont, the UK chancellor of the exchequer, following the International Monetary Fund meeting in Washington gave some encouragement for the market's base rate hopes. By mid-morning, the Footsie was 44.2 points up.

However, suggestions that rates might be cut during the course of yesterday soon faded. The market topped out and traded less aggressively for the rest of the day. Later, refusal by Dr Schlesinger, the Bundesbank president, to make any forecast of future interest rate cuts was taken as a signal for profit-taking.

Seaq trading volume reached a final total of 953.4m shares, below the 1bn plus figures recorded last Thursday and Friday. Friday's retail business was worth £2.8bn, bringing a total of £6.5bn in retail business since last Tuesday.

FINANCIAL TIMES STOCK INDICES

	Sept 21	Sept 18	Sept 17	Sept 16	Sept 15	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.20	89.74	89.22	88.55	89.14	87.52	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.60	105.21	104.98	105.47	106.34	96.82	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1897.8	1885.2	1815.2	1716.4	1725.7	2016.5	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	81.4	79.9	80.7	74.5	72.5	159.1	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2560.1	2567.0	2483.9	2378.3	2370.0	2579.5	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1114.23	1144.61	1111.40	1088.65	1091.61	1169.98	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.87	4.89	4.85	5.08	5.17	4.69				
●Earning Yld %(full)	6.81	6.84	7.07	7.41	7.44	7.53				
●P/E Ratio(Net)(☆)	18.60	18.53	17.92	17.10	17.03	16.56				
SEAQ Bargns 5.00pm	38,369	42,638	37,146	22,530	18,968	27,812				
Equity Turnover(£m)†	-	2829.2	2546.6	1181.0	895.0	783.99				
Equity Bargains†	-	48,670	40,582	24,014	21,811	26,886				
Shares Traded (ml)†	-	1166.3	1052.2	488.7	437.3	346.1				

Basic 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83, 5 FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.25

Ordinary Share Index, Hourly changes — Day's High 1926.7 — Day's Low 1874.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1874.2	1908.3	1919.2	1912.7	1906.1	1900.2	1905.6	1899.8	1883.8

FT-SE 100, Hourly changes — Day's High 2611.2 — Day's Low 2551.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2551.9	2590.1	2601.7	2593.5	2583.8	2576.6	2584.9	2577.9	2555.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1134.67 — Day's Low 1113.26

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1129.78	1133.00	1127.76	1122.02	1117.04	1123.20	1117.98

GILT EDGED ACTIVITY

Indices*	Sept 18	Sept 17
Gilt Edged Bargains	168.3	164.4
5-Day average	137.7	120.4

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index. Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

Disposals benefit Sears

STORES group Sears advanced 5 to 69p in heavy trading after announcing it was disposing of its loss-making menswear division. Rumours of the sale, the subject of a management buy-out, had been doing the rounds in the market and trade press in recent weeks, and pre-empted an announcement with Sears' results next week.

The disposal of the menswear division, which lost £9m last year and includes the Fosters brand, was largely welcomed by the market. However, analysts also pointed to improved sentiment towards the sector as a whole because of the expected cut in interest rates, and part of the Sears rise was due to that. Turnover was a hefty 13m shares.

Bryant in demand

Bryant Group, the West Midlands based housebuilder, provided a welcome relief from the recent series of dividend cuts, falling profits and hefty provisions now commonplace in the contracting area of the market.

A near-doubling of profits, from £10.3m to £20.3m, and a same again dividend triggered a sharp rise in the shares, which ran up to 93p before easing back to settle a net 8 ahead at 89p. Turnover in the stock was a good 1.8m shares. Building specialists said the results were at the top end of the market range.

Mr Mark Hake, building analyst at Nikko Securities, said that while the market accepted that Bryant was undoubtedly one of the best-run contracting groups in the sector, "much of the good news is already in the price".

Racal/Chubb

"Grey market" activity commenced in "Racal Special-Ex" and "Chubb When Issued", the two stocks that will emerge from the split of Chubb from Racal Electronics when it becomes effective on October 5, subject to shareholder approval.

After the demerger Racal shares will be consolidated on a five-for-one basis. For every five Racal shares held on October 2, shareholders will recieve one consolidated Racal share and one Chubb share.

Racal Special-Ex traded at 141p early in the session but later slipped to close at 134p, with 878,000 shares changing hands. Chubb When Issued finished around 193p after strong turnover of 2.1m, including a single purchase of 1m shares at 195p. Racal "old" attracted keen support all day, ending a busy session 2¼ higher at 65¾p after 9.6m traded.

Upgrades in Thorn EMI continued, with UBS Phillips & Drew the latest to move its figures. UBS was said to be recommending a switch out of Rank Organisation and into Thorn. Kleinwort Benson was also said to have raised its expectations for Thorn, whose shares jumped 27 to 747p.

In addition, there was speculation that the group's talks with Williams Holdings concerning the sale of Thorn's lighting business had made progress. Rank, which benefited from interest rate cut hopes, rose 7 to 546p.

Merchant banks ran up strongly, reflecting the remarkable upsurge in institutional activity in the markets last week, but did not hold their best levels.

Among the fund management groups, Templeton Galbraith pu ton 10 to 389p, M & G 23 to 537p and Mercury Asset Management 11 to 304p.

Refuge Assurance's preliminary results and new business figures were given a warm reception in the market, with the shares closing 20 higher at 670p. Insurance brokers drew further strength from the latest rally by the dollar. Lloyd Thompson, reporting this morning, rose 14 to 207p and Lowndes Lambert put on 16 to 272p.

Lasmo surged ahead again, closing 12½ up at 160p on heavy turnover of 5.4m. US and domestic institutions remained focused on the benefits to Lasmo of the continued steep decline in sterling against the dollar.

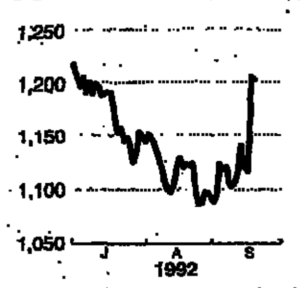
BP, responding to vague hints that the group may yet attract the attentions of a predator, gained 4¼ at 219p on 19m traded. British Gas was barely changed at 235p with 16m shares changing hands.

Utilities, widely viewed by the market as defensive stocks and immune to currency shifts, were roughly handled.

Strong two-way business was seen in British Steel, with UK investors taking profits after last week's good performance but demand from US buyers once again a feature. Turnover expended to 20m as the shares added 3¼ at 67p.

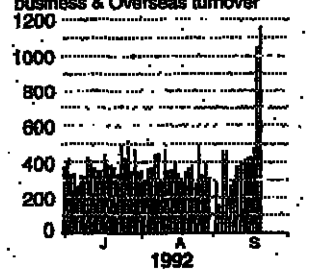
On its first day as a non FT-SE constituent, British Aerospace bounced 7 to 196p on speculation that a deal with Taiwan Aerospace concerning BAe's regional aircraft division would be announced shortly. Talk, however, that the company will reveal big provisions when it reports interim figures tomorrow continued to circulate.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Investors were still taking a poor view of Vickers ahead of Thursday's figures and the shares surrendered a further 3 to 85p. Vague bid talk was heard in Avon Rubber, finally 32 stronger at 355p. Lucas Industries moved forward 7 to 101p in brisk trade of 9.8m shares.

Among transports, P & O was a good market and volume reached 3.4m with the shares closing at 361p ex-dividend.

News that the US Food and Drug Administration had approved its Suprane drug helped lift BOC, the shares climbing 14 to 684p. Hickson International was knocked in late trading following a fire at a plant in Yorkshire. The shares dropped 11 to 183p.

There were further good gains across the board in the contracting and building materials areas.

Tarmac, scheduled to report interims today, finished unchanged at 70p ahead of an expected lapse into losses of up to £20m, plus a deep cut in the dividend. Barratt Developments, where many analysts are looking for a return to profitability when it publishes preliminary numbers tomorrow, moved up 6 to 50p.

A large line of stock, said to be held by Swiss Bank Corporation, unsettled Cadbury Schweppes shares, which retreated 15 to 464p xd.

Tesco lost ground following adverse press comment ahead of its results, due today. Analysts expect to downgrade the supermarket group following tough trading conditions. The shares later recovered to close steady at 225p.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,
Christopher Price.

■ Other market statistics, Page 25

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1	433	+5	Comm Union	1,000	490	+4	Lonrho	1,000	69	-1	Shell Transport	7,900	522½	+1
ASDA Group	16,000	29½	-½	Cookson	2,500	155	-3	Lucas	9,850	101	+7	Siebe	1,900	355	[illegible]
Abbey National	4,800	300	-2½	Courtaulds	3,300	480	+15	MB Caradon	1,200	265	+4	Slough Ests	1,200	96	-3
Albert Fisher	5,400	38	+2	Dalgety	163	425	+9	MEPC	2,300	231	6	Smith (W.H.) A	2,400	434	-7
Allied-Lyons	2,400	624	+1	De La Rue	2,400	625	-14½	Maxwell	647	421	+2	Smith & Nephew	1,100	148¼	+1½
Amstrad	1,800	25	+2½	Dixons	1,600	217	-2	Marks & Spencer	9,000	324	-11½	SmKl Beecham	6,800	537	-17½
Anglian Water	3,700	404	-3½	Eastern Elect.	1,000	349	-2	Midlands Elect.	2,500	384	6	SmKl Beecham Uts	1,300	477	-16
Argos	625	248	-3	East Midland Elect.	1,700	363	-4	NFC	1,200	266	-½	Smiths Inds.	1,400	317	+9
Argyll Group	2,900	325	-1½	Eng China Clays	1,700	399	-18	NatWest Bank	6,900	334	-12	Southern Elect.	2,400	388	+1½
Arjo Wiggins	9,800	168	+18	Enterprise Oil	2,500	395	+½	National Power	3,700	257	-3	South Wales Elect.	434	440	-8
Ass Brit. Foods	128	410	+4	Eurotunnel Units	266	397	-13	Next	6,100	99	+1½	South West Water	954	397	-9
[illegible]				[illegible]				[illegible]				[illegible]			
Bowater	1,200	813	+20	Hillsdown	2,600	79	-4½	[illegible]	1,200	[illegible]	+8	United Biscuits	2,500	[illegible]	-10
Brit. Aerospace	2,400	198	+9	IMI	1,800	271	+9	Rolls Royce	4,100	141		Utd Newspapers	400	396	+9
British Airways	5,800	292	+8	ICI	3,900	1155	+18	Rothmans	588	590	-2	Vodafone	2,200	330	+1
British Gas	16,000	235	+½	Inchcape	1,100	470	+7	Ryl Bk Scotland	2,700	163		Warburg (SG)	1,500	497	+22
British Land	846	133	-12	Kingfisher	2,800	515	+2½	Royal Insurance	3,700	148	+5½	Wellcome	2,600	963	+30
British Steel	21,000	67	+3½	Kwik Save	476	682	+2½	Saatchi	2,400	156	+4	Welsh Water	334	426	-13
Bunzl	1,000	96	+1	Ladbroke	8,600	179	+3	Sainsbury	2,800	437	+8½	Wessex Water	115	490	-7
Burmah Castrol	625	645	-8	Land Securities	1,800	380	-9	Scottish & New	1,500	408	-18	Whitbread 'A'	1,000	434	-2
Burton	9,600	40½	-1	Laporte	1,300	531	+6	Scot. Hydro-Elect.	2,400	198½	-12	Williams Hldgs.	1,400	285	-18
Cable & Wire.	8,600	596	-1	Legal & General	2,800	343	-3	Scottish Power	5,400	177	-7½	Willis Corroon	1,100	185	+4½
Cadbury Schweppes	2,700	464	-11½	Lloyds Abbey	1,100	350	-6	Sears	13,000	69	+5	Wimpey	3,900	104	+9
Calor Group	190	685	+5	Lloyds Bank	3,300	435	-14	Sedgwick	5,000	139	+2	Wolseley	747	371	+8
Carlton Comms.	1,900	645	-4	LASMO	5,400	160	+12½	Seeboard	560	386	-3	Yorkshire Elect	600	421	-4
Coats Viyella	8,000	199	+2	London Elect.	1,800	373	-5	Severn Trent Water	3,900	381	-11	Yorkshire Water	377	447	-15

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STRONG demand for stock index futures early in the session tailed off at mid-morning, leaving the contract to move erratically for the rest of the day, writes Joel Kibazo.

The December contract on the FT-SE was in demand from the moment it opened at 2,620, with Salomon, the US securities house, said to have been the main buyer, sending the contract sharply forward.

The buying interest, however, tailed off by mid-morning, leaving December to drift lower over the next few hours. By lunchtime the contract had fallen to 2,590, which proved to be the low of the day.

Renewed buying shortly after led to a squeeze which helped curtail some of the earlier losses, but this only proved to be a temporary respite. A dull Wall Street, poor trading in the fixed interest markets and profit-taking all combined to send December into retreat.

December closed at 2,607, around its fair value estimate to cash of about 45. Turnover fell to a modest 13,200.

Traded options remained busy though total volume, at 44,058 lots, was down from last Friday's impressive 73,698. Some 19,998 contracts were dealt in the FT-SE 100 option, while Tesco was the day's busiest stock option.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sep 21 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Sep 18 Index No.	Thu Sep 17 Index No.	Wed Sep 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	769.63	+1.1	7.57	5.77	17.04	26.19	761.59	731.78	686.07	847.39
2	Building Materials (23)	756.10	+2.6	6.92	7.27	20.07	30.02	737.26	704.57	643.33	1067.17
3	Contracting, Construction (27)	597.15	+3.9	4.25	8.96	78.52	29.27	574.52	552.31	491.45	1165.16
4	Electricals (9)	2146.34	+1.4	7.83	7.01	16.89	85.80	2116.89	2063.28	1899.78	2618.17
5	Electronics (27)	1999.24	+1.3	8.08	4.32	15.44	47.93	1973.07	1910.59	1875.66	1769.63
6	Engineering-Aerospace (6)	313.62	+1.9	11.49	8.31	11.04	13.53	307.72	297.92	279.43	374.19
7	Engineering-General (43)	466.42	+0.2	8.68	5.15	14.71	14.37	465.54	442.17	413.55	496.20
8	Metals and Metal Forming (7)	323.13	+3.4	5.38	6.77	27.04	7.52	312.45	299.45	272.16	452.33
9	Motors (14)	324.15	+2.4	8.22	7.29	15.99	14.69	316.70	302.36	278.27	363.38
10	*Other Industrial Materials (19)*	1754.44	-0.4	7.15	4.75	16.89	57.80	1761.94	1696.58	1596.84	1586.84
21	CONSUMER GROUP (191)	1610.39	....	7.15	3.60	17.34	32.79	1610.03	1545.88	1489.42	1551.05
22	Brewers and Distillers (25)	2009.49	+0.6	8.29	3.66	14.54	41.39	1997.34	1942.47	1871.73	1937.62
25	Food Manufacturing (19)	1174.15	-1.0	9.13	4.50	13.55	28.04	1186.11	1140.92	1096.18	1224.73
26	Food Retailing (18)	2617.45	+0.6	9.35	3.49	13.92	48.07	2601.38	2472.52	2433.72	2550.80
27	Health and Household (25)	4340.99	-0.8	5.10	2.55	22.73	68.85	4377.53	4226.85	4111.83	3697.35
29	Hotels and Leisure (18)	1063.37	+1.1	7.57	6.44	17.25	38.53	1052.09	969.46	898.80	1338.83
30	Media (26)	1580.71	+0.7	6.21	3.33	20.11	32.89	1569.59	1528.09	1447.58	1547.94
31	Packaging, Paper & Printing (17)	717.60	+3.1	7.07	4.51	17.61	22.00	696.23	667.64	633.17	761.52
34	Stores (34)	1017.89	-0.3	6.96	3.68	19.18	18.84	1020.90	965.24	928.23	986.51
35	Textiles (9)	660.32	+1.7	7.14	4.64	17.63	16.42	649.22	628.77	584.33	631.91
40	OTHER GROUPS (117)	1269.91	....	9.85	5.35	12.71	39.94	1269.25	1233.73	1202.04	1279.46
41	Business Services (17)	1346.95	+1.2	6.66	3.89	18.42	23.67	1330.34	1277.94	1209.81	1384.11
42	Chemicals (22)	1389.35	+1.6	7.07	5.22	17.56	48.13	1367.05	1327.31	1276.97	1439.16
43	Conglomerates (10)	1298.32	-0.4	8.90	8.47	14.38	38.55	1303.96	1257.97	1174.58	1522.64
44	Transport (14)	2438.91	+0.3	8.24	4.85	14.93	74.86	2430.93	2331.31	2204.91	2351.76
45	Electricity (16)	1347.77	-1.5	15.43	5.44	8.35	55.01	1368.27	1354.54	1362.01	1273.16
46	Telephone Networks(4)	1443.04	+1.0	10.47	4.58	12.44	46.15	1428.78	1384.33	1376.72	1546.65
47	Water(11)	2731.81	-2.1	16.40	6.33	6.75	86.85	2789.02	2770.62	2822.89	2456.52
48	Miscellaneous (23)	2125.95	-0.8	6.23	4.75	20.14	55.15	2143.55	2079.35	1996.72	1845.98
49	INDUSTRIAL GROUP (483)	1291.28	+0.2	8.09	4.54	15.47	33.98	1288.57	1242.32	1195.79	1292.76
51	Oil & Gas (17)	1988.88	+0.1	6.79	6.53	19.32	84.69	1986.90	1959.47	1891.57	2369.65
59	500 SHARE INDEX (580)	1357.78	+0.2	7.96	4.74	15.79	37.99	1355.09	1309.48	1260.81	1386.16
61	FINANCIAL GROUP (83) ●	726.42	-0.5	-	6.07	-	29.00	729.72	708.53	654.62	826.97
62	Banks (9) ●	998.76	-1.2	5.21	5.57	28.79	39.95	1010.98	989.32	894.04	949.72
65	Insurance (Life) (6)	1495.62	-1.6	-	6.07	-	66.22	1519.93	1427.40	1380.20	1602.99
66	Insurance (Composite) (7)	496.54	+1.4	-	6.06	-	16.37	489.62	480.10	447.89	638.43
67	Insurance (Brokers) (10)	684.37	+3.6	10.44	8.18	12.57	39.90	660.77	641.91	591.95	1165.11
68	Merchant Banks (7)	450.55	+3.2	-	4.93	-	13.08	436.42	414.56	409.27	477.74
69	Property (30)	510.38	-1.0	11.07	8.72	11.99	22.28	515.70	496.46	464.71	967.11
70	*Other Financial (14)*	237.26	+2.1	8.42	6.94	15.60	7.81	232.33	225.90	217.71	269.36
71	Investment Trusts (70)	1135.67	+1.2	-	3.95	-	26.39	1122.71	1100.50	1048.92	1248.51
99	ALL-SHARE INDEX (653) ●	1206.06	+0.1	-	4.89	-	35.34	1204.37	1164.96	1115.60	1250.68

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Year ago
FT-SE 100 SHARE INDEX‡	2560.1	-6.9	2611.2	2551.9	2567.0	2483.9	2378.3	2370.0	2422.1	2579.5

FIXED INTEREST

	PRICE INDICES	Mon Sep 21	Day's change %	Fri Sep 18	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	124.02	+0.56	123.56	2.15	9.03
2	5-15 years (25)	137.37	-0.31	137.93	1.56	10.51
3	Over 15 years (8)	144.79	-1.44	146.91	1.08	9.97
4	Irredeemables (6)	164.94	-2.43	169.05	3.04	8.83
5	All stocks (61)	135.30	-0.19	135.71	1.74	10.11
	Index-Linked					
6	Up to 5 years (2)	173.14	+1.18	171.11	0.35	3.25
7	Over 5 years (10)	148.00	+0.09	147.86	0.69	3.64
8	All stocks (12)	150.27	+0.25	149.89	0.64	3.56
9	Debs & Loans (62)	118.06	-0.76	119.32	1.96	9.04

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 21	Fri Sep 18	Year ago (approx.)
	British Government				
1	Low	5 years	8.26	8.25	8.57
2	Coupons	15 years	8.78	8.64	9.30
3	(0%-7¾%)	20 years	8.94	8.77	9.30
4	Medium	5 years	8.90	9.02	9.62
5	Coupons	15 years	9.26	9.10	9.45
6	(8%-10¾%)	20 years	9.28	9.08	9.40
7	High	5 years	9.23	9.32	9.82
8	Coupons	15 years	9.42	9.37	9.53
9	(11%-)	20 years	9.42	9.37	9.45
10	Irredeemables		9.32	9.08	9.51
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.02	4.37	3.92
12	Inflation rate 5%	Over 5 yrs	4.56	4.57	4.22
13	Inflation rate 10%	Up to 5 yrs	3.21	3.56	3.29
14	Inflation rate 10%	Over 5 yrs	4.37	4.37	4.04
15	Debs &	5 years	10.33	10.57	11.09
16	Loans	15 years	10.49	10.47	10.84
17		25 years	10.49	10.37	10.66

‡Opening index 2551.9; 9 am 2590.1; 10 am 2601.7; 11 am 2593.5; Noon 2583.8; 1 pm 2576.6; 2 pm 2584.9; 2.30 pm 2584.3; 3 pm 2577.9; 4.10 pm 2559.2; (a) 10.15am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ● The HSBC dividend is not subject to Advance Corporation Tax at 25%.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (107).
BRITISH FUNDS [illegible] … Colgate-Palmolive, Echlin, FPL, Gen. Elect., Gillette, Houston, Lockheed, Morris (Ph), NYNEX, Pennzoil, Southwestern Bell, Texaco, US West, Varity, CANADIANS (1) Imperial Oil, BANKS (3) Bank Ireland, HSBC, HSBC (75p Shs), BREWERS (1) Taunton Cider, BLDG MATLS (1) St. Gobain, BUSINESS SERVS (2) Penna, Salvesen (C), CHEMS (1) Engelhard, CONGLOMERATES (1) Bodycote, ELECTRICALS (2) Motorola, Toshiba, ELECTRONICS (2) Elect'comps., TDS Circuits, ENG GEN (3) FKI, Fairey, Siebe, FOOD MANUF (4) Acatos & Hutcheson, Avonmore, BSN, Unilever, FOOD RETAILING (1) Kwik Save, HEALTH & HSEHOLD (4) Amersham, Huntleigh, Novo Nordisk, SmKl. Beecham A, INSCE BROKERS (1) Marsh & McLennan, INSCE COMPOSITE (3) AEGON, Amer. Gen., FBD, INSCE LIFE (2) Lincoln Natl., Torchmark, INV TRUSTS (18) Flmg. Inc. & Cap. Zero Pf, Flmg. Intl. High Zero Pf, GT Venture, Do Wts., Gartmore Amer. Secs. Zero Pf, Gen. Cons. Stppd. Pf, Grosvenor Dev. Cap., Henderson Euro. Zero Pf, Hong Kong Zero Pf, Jupiter Euro. Zero Pf, Kleinwort High Inc. Zero Pf, Murray Split Cap. Zero Pf, New Zealand Inv., St. David's Zero Pf, Siam Fund, Thai Euro. Ptg., MEDIA (2) Carlton Comms., News Corp., MTL & MTL FORMING (1) Johnson Matthey, MISC (2) BAT Inds., Rothmans, OIL & GAS (4) Buls, Chevron, Exxon, Monument, OTHER FINCL (3) MAI, Swire Pacific, Templeton Galbraith & H., PACKG, PAPER & PRINTG (2) Carnaud Metalbox, De La Rue, STORES (1) Next, TEXTS (2) Leeds, Torey, TRANSPORT (1) P & O 5½pc Prfd., MINES (2) Forsyth, MIM.

NEW LOWS (58).
BLDG MATLS (2) Br. Fittings, Br. Dredging, BUSINESS SERVS (2) BNB, Proudfoot, CONGLOMERATES (1) Jourdan (T), CONTG & CONSTRCN (2) BS & EA, McLaughlin & Harvey, ELECTRONICS (1) Alba, ENG GEN (3) APV, Carclo, Wilkes, FOOD MANUF (3) Borthwicks, Linton Park, Ptarmigan, HEALTH & HSEHOLD (4) Community Hsptls., Crown Eyeglass, Scholl, Swallowfield, HOTELS & LEIS (1) Hi-Tec, INSCE LIFE (1) Transatlantic 8 8pc Pf, INV TRUSTS (10) Finsbury Smllr Co's, Kleinwort High Inc., Kleinwort Smllr. Co's, Lloyds Smllr. Co's Cap., Do Dividend, Do Pckg. Units, Martin Currie Euro. Wts., New Frontiers Devlpt., River & Merc. Stppd. Pf, Do Wts., MEDIA (3) Siradale, Home-Counties, Thames TV, MISC (2) Calderburn, Kershaw, OIL & GAS (3) Aberdeen, Crossroads, LASMO Ops., OTHER FINCL (1) Carlisle 4.38pc Pf, PACKG, PAPER & PRINTG (1) Stat-Plus, PROP (1) Olives, STORES (6) Austin Reed, Do N/V, Beattie, Bentalls, Liberty, Wyevale, TEXTS (8) Beckman, Campari, Carrie Mill, Gaskell, Richards, Tomkinsons, West Tel., Worthington, TRANSPORT (1) Norex, MINES (1) Centenary.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¾pc 1993		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12½pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 6pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
Five to Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	9.73	9.21
9pc 2000‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.82	9.03
Treas 13pc 2000		[illegible]	[illegible]	[illegible]	[illegible]	10.94	9.50
10pc 2001		[illegible]	[illegible]	[illegible]	[illegible]	9.58	9.16
14pc '98-01		[illegible]	[illegible]	121	[illegible]	11.69	9.42
9¾pc 2002		[illegible]	[illegible]	[illegible]	[illegible]	9.40	9.16
[illegible]							
Undated							
Consols 4pc		[illegible]	-1	[illegible]	[illegible]	[illegible]	-
War Loan 3½pc‡‡		[illegible]	-1	[illegible]	[illegible]	[illegible]	-
Conv 3½pc '61 Aft		[illegible]	-1	[illegible]	[illegible]	[illegible]	-
Treas 3pc '66 Aft		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Consols 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Treas. 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

BRITISH FUNDS - Cont.

Index - Linked	Notes	Price £	+ or -	1992 high	1992 low	Yield Int. (1)	Yield Red. (2)
	(b)						
Treas. 2pc '94	(102.9)	[illegible]	[illegible]	[illegible]	[illegible]	1.81	3.44
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	3.42	4.12
4⅝pc '98	(135.3)	16	—	[illegible]	[illegible]	3.97	4.43
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	[illegible]	4.27	4.62
[illegible]							

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	17⅜xd	+½	18¼	14⅝	14,741	1.8
♥Allegheny & W	339p	—	339p	228p	178.2	4.6
Amdahl	537p	+3	1159p	527p	691.7	1.0
Amer Cyanamid	33	+¼	37	28⅝	3,816	2.8
Amer Express	13½xd	+¼	13⅞	10¼	6,234	4.0
Amer T & T	25⅝xd	+1	25⅝	20¼	34,878	2.7
Ameritech	39¼	+1¼	39¼	32½	17,185	4.7
BankAmerica	26¼xd	+½	27⅛	19¼	8,893	2.6
Bankers NY	37¼xd	+1⅜	37¼	28⅞	3,887	3.6
Bell Atlantic	27¼	+⅞	27¼	23⅛	11,846	4.9
BellSouth	29⅞	+1	32⅞	25	14,885	4.8
♥Bethlehem Steel	7⅛xd	+⅛	9⅝	5¼	837.1	—
Bowater	1148pxd	+29	1579p	905p	414.3	5.5
CPC h	28⅜xd	-¼	28⅞	22⅜	4,297	2.2
♥Cadiz Land Inc	128p	—	342p	128p	—	—
Chase Manhattan	13xd	+⅛	16½	9½	1,854	4.8
Chrysler	12⅛xd	—	12⅛	6¼	3,646	2.6
Citicorp	9½xd	+⅛	11¼	5⅜	3,332	—
Colgate-Palm	33¼xd	+1⅜	33¼	25¼	8,304	2.0
Cont'l Bank	945p	+25	1038p	499p	664.9	3.3
Dana	23¼xd	+⅛	24½	14⅜	1,066	3.6
Data General	573p	+18	1804p	384p	158.1	—
♥Decora Inds	118p	—	122p	66p	—	—
Dun & Brad	32½	+¼	33½	27⅝	5,788	3.7
Eaton	45⅛	+1¼	46½	32½	1,558	2.8
Ecolin	11⅝xd	+⅛	11⅝	7⅜	668.6	3.2
FPL	21⅛xd	+⅛	21⅛	17⅜	3,816	6.0
Fluor	25½	+¼	27	19¼	2,068	0.8
Ford Motor	24½xd	+1	26⅛	15	11,898	2.1
Gen Elect	46⅝xd	+1½	46⅛	36⅜	39,818	2.7
♥General Host	536p	—	565p	360p	—	3.5
Gillette	33⅛xd	+⅞	33⅛	23⅞	7,308	1.1
Hasbro	18¼	—	18¼	12⅜	1,671	0.5
Honeywell	39⅜	+1⅛	43	32	2,771	2.2

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high	low
■Spring Ram	140	+5	181	[illegible]
■Starmin	7½xd	+¼	*15	[illegible]
■Tarmac	78	+3	181	[illegible]
◊Titon †	145	—	178	[illegible]
■Travis Perkins	191	+15	228	[illegible]
◊Tudor	35	—	38	[illegible]
■Unigroup	14	—	24	[illegible]
Ward Group †	63	—	91	[illegible]
◊Waterhouse	35	—	43	[illegible]
■Wickes	82	+2	*104	[illegible]
■Wilshaw	14½	+1	18¼	[illegible]
■Wolseley	371	+8	479	[illegible]

BUSINESS SERVICES

Notes	Price	+ or -	1992 high	low
■ADT S	433	+5	633	[illegible]
Adam & Harvey	183	—	248	[illegible]
◊Air London †	78	—	127	[illegible]
African Lakes	34	—	68	[illegible]
■Auto'ted Sec †	114	+1	152	[illegible]
■BET	119	+5	*209	[illegible]
■BNB Res	53	-3	108	[illegible]
BPP †	268	+5	*283	[illegible]
Barbour Index	215	—	280	[illegible]
■Boustead	20	—	39½	[illegible]
■Brit Data Mangt	136xd	+2	165	[illegible]
◊Broadcastle	11	—	14	[illegible]
Brooks Service	78	—	101	[illegible]
Burns-Anderson	2	—	7	[illegible]
■CRT	97	+7	142	[illegible]
Capita †	356	+19	422	[illegible]
■Casket	28	+1½	34	[illegible]

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†	163½	+½	178	147	3.6	199.5	18.1
Warrants		28	—	38	21	–	–	–
Scot Mortgage	♣	182½	+4½	167	135	3.4	180.5	15.8
Scot National Inc	♣	71½	+½	187	65¾	18.6	–	–
Cap		39	+1	42	12½	–	–	–
Stepped Pf		140¾	+1	142	128	5.8	–	–
Zero Div Pf		187½	+2	187½	166½	–	–	–
Warrants		3½	—	9	3	–	–	–
Scot Value	ta	58½	+½	64	48	4.6	59.9	0.3
Sec Alliance		1195xd	+2½	1283	1066	4.1	1379.8	13.2
Second Market	§	242	+4	244	222	0.8	314.8	23.1
Sec Tst Scot	♣	68¼	+½	75½	61	6.3	71.0	3.8
Select Assets		85½	+½	102½	78½	1.4	134.8	36.6
Eq Ind Sarl		111	—	128	108	5.1	–	–
Eq Ind SarII		111	—	123	105	8.1	–	–
Shires	♣	202	+6	248	188	12.1	202.2	0.1
11pc Cv Ln '03/04		£105	—	£119½	£95½	10.5	–	–
Scots Select		89	—	91	68	9.5	112.8	38.8
Warrants		18	—	21	10	–	–	–
Smaller Cos		78	+2	86	66	4.6	75.3	7.7
Warrants		18	+1	28	10	–	–	–
Somerset Tst		122	—	140	55	–	85.0	-43.6
Sphere Inc	N	12½	—	28	9½	38.1	20.8	39.9
Zero Div Pf		69¾	+1½	77¾	63¾	–	–	–
Surnit		31	—	35	30	8.4	92.2	66.4
TR City of Lon		118½	+2	127½	97½	6.7	110.3	0.2
TR Euro Growth		75	+1	80	70	2.4	101.2	26.4
Ptg Sub		36	—	54	34	8.9	–	–
TR Far East Inc	M	88	+4	98	76	0.3	100.3	12.5
Warrants		14	—	22	12	–	–	–
TR High Inc		98	+1	118	91	8.1	97.8	0.8
Sep	§	23	—	38	21	8.7	–	–
TR Pacific	§	80	+1	98	70	0.4	96.1	17.3
TR Prop		18	+1	27	14½	12.1	30.5	47.5
TR Smaller		111	+4	152	98	4.4	129.3	14.2

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		31	—	34	28	57.9	–	–
Brngs 8pc Cm 2nd Prf		98	—	100	83½	12.3	10.9	–
9¾pc Non-Cum Prf		119¼	—	126	103¼	47.7	10.9	–
Brown Shipley		49	—	204	49	7.82	–	–
Close Bros		280xd	+3½	287	205	80.3	8.1	[illegible]
Hambros		238	+2	292	202	411.7	7.7	8.7
7½pc Cv Pf		186	+2½	118	91½	158.8	9.4	–
Joseph (L)		318	—	333	308	18.3	6.8	–
Kleinwort Benson		278	+9	324	212	352.1	7.9	23.6
Rea Bros		29	—	37	25	11.4	2.3	–
Schroders	♣†	1215	+40	1365	1043	818.3	2.0	14.1
N/V	†	1015	+35	1158	883	133.2	2.4	11.7
Singer & Fried	♣	39xd	+2	50	34	78.1	8.6	8.3
Warburg (SG)	♣	497	+22	685	403	1,029	4.8	10.0
8pc Cv Pf		170½	+13½	204	137	72.5	4.7	–
Wintrust		208	—	253	208	17.6	6.0	8.0

METALS & METAL FORMING

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	†	75xd	+14	165	50	80.8	‡	14.2
Apollo Metals		92	—	147	92	18.6	5.0	10.0
Ash & Lacy		128	—	188	128	38.9	6.7	9.8
Barrett (H)	†	12	—	45	12	5.21	‡	27.8
Billam (J)	†	122xd	—	144	84	1.98	4.7	5.6
Brit Steel		67	+3½	86	46	1,348	9.0	63.8
BCI		28	+½	35	15	17.3	14.3	7.9
Castings		188	+5	195	118	85.9	3.2	11.6
Chamber & Hill		96	—	140	90	8.94	8.4	6.3
Cohen (A)		305	—	400	305	5.66	4.4	–
Cook (Wm)		161	—	335	142	32.9	8.8	6.3
Cooper (F)		29	+4	89	22	10.3	18.4	14.1
Downiebrae		27	—	38	27	4.72	2.5	13.9

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

§ Rights issue pending
§ Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
‡ Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other

yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	129 7	131 1	138 0	+3 10	1 01
AIB Grofund Equity	5	179 7	182 5	193 1	+3 90	1 81
AIB Grofund Euro ♦	5	138.9	141 0xd	148 4	+3 10	0 96
AIB Grofund Gilt	3	70.66	70 69xd	72.88	+0 26	6 19
AIB Grofund Japan	5	114 2	115 5	121 6	+3 50	0.00

AXA Equity & Law Unit Tst Mngrs (1200)F
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	357 9	360 3xd	383.3	+10 0	3.19
General Acc	5	389 7	392.3xd	417 4	+10.9	3 19
UK Growth Acc	6	263.8	268.3	285.5	+7 6	3 56
UK Growth Inc	6	192.3	195 5	208.0	+5 5	3 56
Higher Inc Acc	6	437.4	445 5	474 0	+11 9	4 93
Higher Inc Inc	6	275.9	281 1	299 1	+7 5	4 93
Gilts/Fxd Int Acc	5½	156 6	157.2xd	165.5	+0 4	8 26
Gilts/Fxd Int Inc	5½	84.31	84 69xd	89.15	+0 24	8 26
Nth America	6	199.3	203 7	216.8	+6 0	0 00
Far East	6	205 9	205.9	219 1	+5.3	0.54
Europe	6	194 1	194 1xd	206 5	+3 7	0 71
Brit Excell	6	53 92	53 92	57 37	+1 34	3 77
Brit Fndmntls Acc	6	67 03	67.03xd	71.31	+1 34	6.31
Brit Fndmntls Inc	6	52 61	52.61xd	55 97	+1.05	6 31
Global Opps	6	53 12	53.64	57 07	+1.11	0.36

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

High Income

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	120 0	120 0xd	127 2	+0 3	8.14
High Inc Equity	6	119 7	122 4	130 2	+2.9	6.53

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	70 68	70 68	75 27	+1.72	2.76
Mngd P'folio Acc	6	132.3	132.3	140.9	+3.20	-
UK General	6	117 2	117.2	124 8	+2.88	4.06
Conv & General	6	14 44	14.44xd	15 38	+0 09	10 03
European Inc	6	20 19	20 19xd	21 80	+0 62	0 92
European Acc	6	20.74	20.74	22.39	+0 64	-
Financial	6	84 71	84.71xd	90 22	+1.79	4 92
Foundation	6	56 46	58 41xd	62.21	+1.31	4.51
German	6	37 12	37 12	39.79	+1.59	0 10
Growth Inc ♦(5-1)	5	24 77	24 84	26 45	+0.51	3 50
Growth Acc ♦(5-1)	5	28.60	28 67	30 53	+0 59	-
High Income	6	55 58	56 11xd	60 32	+1.11	7 79
Income	6	96.72	99 16	106.1	+1.80	5 47
Intl Income	6	77 29	77 29	82.31	+1.94	5.86
Intl Growth ♦	6	26 39	26.39	28 11	+0.55	0.28
Monthly Income	6	52 29	54.35	57.88	+1 68	5 82
North American	6	80 40	80 40	85 63	+2.24	0 25
Orient ♦	6	81 46	81 46	87.69	+1.88	-
Recovery	6	24 89	25.27	27 29	+1.45	4.33
Smaller Cos Acc	6	179 8	179 8	191.5	+2.20	-
Smaller Cos Inc	6	106 8	106.8	113.7	+1.20	2.03

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	167 2	167.2	172 0	-	6 74

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst ♥	5¼	46 01	46 01	48 77	+0.88	3 39
(Accum Units) ♥	5¼	51 30	51.30	54 38	+0.77	3 39
Income	5¼	171 2	173 5	184 6	+3 6	4 92
(Accum Units)	5¼	380 0	385 4	410 0	+8 1	4 92
Smaller Co's	5¼	88.00	88 00	93 28	+2.1	3 19
(Accum Units)	5¼	103.60	103 6	109.8	+2.5	3 19
Inv Portfolio ♥	3	55.61	55.61	57.58	+1.46	3 02
(Accum Units) ♥	3	62 30	62.30	64.48	+1.65	3 02
High Income Port ♦	3	47 58	48 48	50.24	+0 36	5.38

Barrage Unit Tst Mangmt Ltd (0905)F

Crown Unit Tst Services Ltd (1200)F
Crown House, Woking GU21 1XW 0483

	Init Charge	Canc. Price	Bid Price	Offer Price
American	6	143 6	143 6	154 4
Canadian Gwth	6	22 17	22 17	23 84
Cash ♥	2	28 35	28 35	28 92
European	6	128.4	128 4	137 4
Growth	6	327 2	327 2xd	351 8
High Income	6	287 4	287 4	309 0
Inv Trust Fd	6	33 19	33.19	35 69
Japanese	6	181 2	181 2	194 8
Mngd Int Equity	6	30 14	30 14	32 41

Dimensional Tst Mangmt Ltd (0900)F
155 Bishopsgate, London EC2M 3XS 071-41

	Init Charge	Canc. Price	Bid Price	Offer Price
European Small Cos	0	1069 6	1069 6	1091.3
Japan Small Cos	0	785 01	785 01	800 62
UK Small Cos	0	984 42	984 42	1043 7
US Small Cos ♦	0	980 08	980 08	1009 9

Discretionary Unit Fund Mngrs (1000)
C/O Greig Middleton 66 Wilson St, EC2 071-37

	Init Charge	Canc. Price	Bid Price	Offer Price
Disc Inc Sep 18	5	120 5	120 5	126 8
Do Accum Sep 18	5	262.4	262 4	276 3

Drummond Fund Mangt Ltd (1000)F
1 White Hart Yd, London Bridge SE1 1NX 071-40

	Init Charge	Canc. Price	Bid Price	Offer Price
Glen Portfolio Inc	5	30.59	30 59xd	33 50
Glen Portfolio Acc	5	68.54	68 54xd	75 07

Dunedin Unit Tst Mngrs Ltd (1400)H
25, Ravelston Terrace, Edinburgh 031-31

	Init Charge	Canc. Price	Bid Price	Offer Price
British Gwth	5	186 2	186.2	198 7
European Gwth ♥	5	174 2	174 2	184.0
Income	5	162 9	162.9	173 8
New Asia	5	102 9	102.9xd	109 5
Japan Growth	5	73.18	73 18xd	77.96
Jap Smllr Co	5	284 4	284 4	302.0
Nth Amer ♥	5	156 3	156 3	165 7
Exempt	5	103 3	103 3	108 5

EFM Unit Tst Mngrs Ltd (1400)H
4 Melville Crescent, Edinburgh 0345-0

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings 071-256 5850

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	133 8	134 6xd	144 0	+3 8	3.74
Gilt & F'xd Int	5	156.1	156.1xd	165.2	-0.1	8.03
Intl Growth	5¼	144.3	144.3	154.8	+3.6	0.49
North American ♥	5¼	112.6	112.6	120 9	+2.9	0.49
Far East	5¼	134 8	134.8	144 4	+4.3	0 80
UK Smaller Cos	5¼	93.27	96 68	103 4	+2.2	2.90
European	5¼	55.36	55.36	59.17	+1.09	0.64
Japanese Growth	5¼	28.77	28.77	30.17	+0 67	0 00
Managed P'folio	5¼	50 33	50.33	53.84	+1.02	2.02
High Income	5¼	133 4	134 1xd	143.4	+3.3	5 93

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680066

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	112 6	113 0	120 8	+2.6	3 07
Do Accum	5½	124 0	124.2	132.8	+2.8	3 07
UK Sel P'folio	5½	90.34	91.10	97 43	+2.75	4 83
Do Accum	5½	99 35	100.2	107 1	+3 0	4 83

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5½	81.49	81.80	87 49	+2.41	0.14
NPI American Dist ♥	5½	75.41	75 71	80.97	+2.23	0 14
NPI European Acc	5½	69.75	70.13	75.01	+1.44	0.19
NPI European Dist	5½	67.69	68.06	72.79	+1.40	0.19
NPI Far East Acc ♥	5½	102.00	102.80	109.90	+1.60	0.21
NPI Far East Dist ♥	5½	100.3	101.0xd	108.0	+2.65	0.21
NPI Global Dist	5½	51.33	51.76	55.36	+1.07	2.26
NPI O'seas Acc	5½	901.1	904.7	967.6	+19.8	0.86
NPI O'seas Dist	5½	694.5	697.3xd	745.8	+13.2	0.86
NPI UK Acc	5½	500 9	503.8	538 8	+5.90	3.56
NPI UK Dist	5½	267 8	269 4	288.1	+10.0	3.54
NPI Extra Inc Dist	5½	52.64	53.06xd	56.75	+1 40	5.60
NPI UK Sml Cos Acc	5½	55.36	56 06	59.96	+1.80	3.31
NPI W'wide Acc	5½	71.86	74 03	79 18	+1.53	0 00
NPI W'wide Dist	5½	68.85	70 94	75 87	+1.46	0.00
NPI W'wide Inc Dist	5½	48.03	49.12	52.53	+0 84	2.79

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

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Societe Generale Touche Remnant (1600)F
Mermaid Hse 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Historic

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	58.92	58.92	63.01	+1.08	0
Eur Sp Sits Acc	5¼	38.88	38.88	41.42	+0.79	0
Eur Sp Sits Inc	5¼	37.25	37.25	39.69	+0.76	0
Far East Opps Inc	5¼	22.16	22.16	23.92	+0.50	0
Far East Opps Acc	5¼	22.71	22.71	24.51	+0.55	0
General Growth	5¼	82.97	82.97	89.18	+0.96	3.65
General Growth Acc	5¼	84.36	84.36	90.67	+0.97	3.65
Global Tech	5¼	87.33	87.33	94.57	+2.33	0
Income Growth	5¼	79.95	79.95	86.00	+0.83	5.45
Income Growth Acc	5¼	79.95	79.95	86.00	+0.81	5.45
Income Monthly	5¼	45.12	45.12	48.25	+0.74	7.18
Japan Growth	5¼	54.91	54.91	58.94	+1.98	0
Overseas Growth	5¼	59.72	59.72	63.61	+1.34	0
Smaller Cos	5¼	52.82	52.82	56.79	+0.97	3.57
Special Opps	5¼	69.42	70.72xd	76.04	+1.06	3.33
Wwide Sp Sit Acc	5¼	33.52	33.52xd	36.19	+0.43	0
Wwide Sp Sit Inc	5¼	33.45	33.45xd	36.10	+0.63	0
SGTR Pension Portfolio						
American Growth	6	35.29	35.85	38.01	+0.61	-
Eur Sp Sits	6	31.25	31.63	33.52	+1.63	-
General Growth	6	30.33	30.97	32.82	+0.34	-
Global Tech	6	34.20	35.19	37.30	+0.92	-
Income Growth	6	26.78	27.36	29.00	+0.37	-
Japan Growth	6	17.19	17.35	18.39	+0.43	-
Managed Equity	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COIF—Charities Official Inv Fd‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Income Aug 31	469.45	470.13	—	6.32
Accum Aug 31	1784.46	1797.29	—	-
Fixed Int Income Aug 31	114.45	114.68	—	10.12
Fixed Int Accum Aug 30	142.95	143.24	—	-

Deposit Accounts: see Money Market Trust Funds

Charity Fixed Int Fd/Charity Equity Fd
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries)
071-382 3919 (Dealing)

	Bid Price	Offer Price	+ or -	Yield Gross
Charity Equity Inc	101.60	104.60xd	+1.00	4.65
Charity Equity Acc	102.60	105.10	+1.10	4.65
Charity Fixed Int Inc	99.75	100.80xd	-1.20	9.25
Charity Fixed Int Acc	99.75	100.80	-1.20	9.25

Edinburgh Fund Mngrs PLC

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
Managed Sep 16	131.5	137.1	—	3.83
Japan Sep 17	76.71	78.81	+1.79	0.63
Sm Jap Cos Sep 18	367.5	377.6	+26.3	0.13
Latin American Sep 22	87.17	91.53xd	+6.76	0.55

Fidelity Investment Services Ltd

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ

	Bid Price
Life Funds	
Brit Blue Chip Fd Acc(z)	182.4
Equity Fd Acc(z)	1229.3
European Fd Acc(z)	275.9
Intl Fxd Int Fd Acc(z)	279.8
Fixed Int Acc(z)	439.7
Gtd Money Fd Acc(z)	308.9
High Income Fd Acc(z)	123.5
Intl Man Fd Acc(z)	433.2
Japan Fd(z)	192.2
UK Smlr Co's Fd Acc(z)	92.6
Europlus Metro	143.7
Global Metro	97.8
Sunrise Metro	117.3
UK Metro	116.4
Nth American Fd Acc(z)	245.0
Pac Basin Fd Acc(z)	185.2
Prop Fd Acc(z)	368.8
Millennium	115.2
Multiple Inv Acc(z)	816.1
Pension Funds	
Brit Blue Chip Acc(z)	211.0
Eq Pen Fd Acc(z)	2464.2
Euro Fd Acc(z)	358.1
Intl Fixed Int Acc	534.5

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist (Gross)	135.3	142.4	.	–
Property Acc (Gross)	257.8	271.3		–
Equity (Gross)	856.6	901.6	+36.6	–
Managed (Gross)	609.6	641.7	+21.3	–
Property Acc. (Net)	123.2	129.7	.	–
Equity (Net)	199.0	209.4	+7.7	–
Adventurous Managed	90.5	95.3	+3.6	–
Managed (Net)	188.0	197.9	+6.1	–
Cautious Managed	97.4	102.5	+1.2	–
International (Net)	166.9	175.7	+2.7	–
Gilt & Fixed Interest	143.2	150.8	+1.2	–
Money Fund	141.9	149.3		–
Mixed Fund (Cap)	112.5	118.5	+3.9	–
Mixed Fund (Acc)	117.6	123.8	+4.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	660.9	695.7	+20.7	–
Ret Man (Series 2)	224.2	236.0	+7.1	–
Ret Cash	201.2	211.7		–
Pens Mixed Fd (Cap)	124.4	131.0	+4.5	–
Pens Mixed Fd (Acc)	130.0	136.9	+4.7	–
Pens Stlg Fd (Cap)	105.0	110.6	+0.2	–
Pens Stlg Fd (Acc)	109.7	115.5	+0.2	–
Premium Life Assurance Co Ltd				
37–39 Perrymount Road Haywards Heath 0444 458721				
American	136.0	144.0	+4.0	–
Building Soc Fd	226.0	238.0	+1.0	–
Balanced	253.0	267.0	+3.0	–
European	218.0	230.0	+3.0	–
GT Managed	186.0	196.0	+4.0	–
Gartmore Mngd	126.0	133.0	+3.0	–
German	131.0	138.0		–
Gilt	161.0	170.0	-1.0	–
Global	37.0	39.0	.	–
International Equity	194.0	205.0	+3.0	–
Japan	165.0	174.0	+4.0	–
Leisure	50.0	53.0	+2.0	–
Managed	40.0	43.0	+1.0	–
Property	286.0	302.0		–
UK Equity	230.0	243.0	+7.0	–
Pension Funds				
American	256.0	270.0	+4.0	–
Building Soc Fd	244.0	257.0	.	–
Balanced	215.0	227.0	+2.0	–
European	245.0	258.0	+3.0	–

	Bid Price
Prudential Corporate Pension Funds	
1 Stephen St London W1P 2AP	
Prudential Managed Funds	
Discretionary Sep 16	£178.30
Equity Sep 16	£197.03
International Sep 16	£26.76
Intl Bond Sep 16	£14.79
Fixed Int Sep 16	£106.41
Index Linked Sep 16	£73.64
Property Sep 16	£109.79
Cash Sep 16	£31.4400
Pru-Linked Retirement Plan	
Managed Sep 15	415.6
Cash Sep 15	289.3
Prudential Pensions Investment Accum	
Pens Mngd Sep 22	178.9
Pens UK Eq Sep 22	316.8
Pens Intl Sep 22	207.7
Pens Global Eqty Sep 22	101.9
Pens Fixed Sep 22	245.9
Pens Index Lk Sep 22	194.6
Pens Property Sep 22	88.8
Pens Cash Sep 22	188.5
Money Purchase Plan	
Discretionary Sep 21	100.5
Equity Sep 21	103.0
International Sep 21	91.9
Global Equity Sep 21	99.7
Intl Bond Sep 21	106.5
Fixed Interest Sep 21	113.6
Index Linked Sep 21	101.5
Property Sep 21	99.1
Cash Sep 21	107.5
Prudential Individual Life Funds	
1 Stephen St, London W1P 2AP	
Series I Life Funds	
Managed	589.2
Equity	1193.8
Fixed Interest	500.7
Property	391.5
Cash	350.2
International	418.0
Series II Life Funds	
Managed	569.7
Equity	1151.0
International	404.1
Fixed Intl	481.0

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	508.8	508 8	545.9	+11	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
L J International	5¼	92 87	92.87	99.74	+2 83	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	104.3	104.3	111.3	+2 40	6.1
Merc Intl Bond	5	56 41	56.41	59 29	+1 49	8 6
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	£1.0436	1 0436	1.1188	+0 0078	8 04
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	115 91	123 49	....	1 0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.69			–
SG Sterling International	£10 06			–
AXA Equity & Law Intl Fund Mgs				
European Equity	151.60	159.58	+2.89	–
Far Eastern Equity	$2 1865	2.3012	-0 0162	–
North Amer Equity	$1 7133	1 8032	-0 0013	–
UK Equity	157.98	166.27	+2.83	–
Global Equity	111.72	117 58	+1 95	–
UK Gth & Fxd Int	101.55	106.88	+1.07	–

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 C$12 72						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 US$10 44						
NAV Diluted to reflect exercise of all Wrts C$12.51 US$10 27						
Fidelity Investment (CI) Ltd						
Sterling American			£2.574	2 709		–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Czechoslovakia Inv Corp Inc			$9 46			–
Deutschland Inv Co NAV			DM16.53			–

	Price	+ or -	Yield
Foreign & Colonial Mngt (Jersey) Ltd			
Ryde Foreign & Colonial Reserve Asset Fd Ltd			
US$ Cash	$10 823	-0 011	–
Sterling Cash	£12 270	+0 002	–
US$ Bonds	$15.573	-0 020	–
Multicurrency Bonds	$20 687	-0 139	–
Sterling Bonds	£13.634	+0 078	–
D Mark Bonds	DM10 965	+0 031	–
Ecu Bonds	Ecu11 620	+0 055	–
UK Equities	£10 530	+0 293	–
US Equities	$16 859	+0 060	–
Japanese Equities	Y629 8	+0 097	–
Cont'l Euro Equities	DM16 096	+0 116	–
UK Negative Equities	£12 538	-0 447	–
US Negative Eq	$9 925	-0 038	–
Japanese Negative Eq	Y1041 7	(z)	–
Cont Eur Negative Eq	DM–		–
UK Geared Equities	£10 485	+0 485	–
US Geared Equities	$–		–
Japanese Geared Eqs	Y1050 1	(z)	–
Cont'l Euro Geared Eqs	DM10 960	+0 144	–
Gold	$10.499	+0.510	–
Protected Capital Plus	£10 00		–

John Govett Management (Jersey) Ltd

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc remains under pressure

THE Bank of France intervened to support the franc on the foreign exchanges for the third trading day running yesterday, but the currency remained under pressure in Europe's exchange rate mechanism, *writes James Blitz.*

France's decision to vote Yes to European monetary union, even though it was by the slimmest of majorities, probably saved the ERM from an instant realignment. The strains in the system have not disappeared, however, and the French franc was one of a number of currencies which the market tested yesterday, in spite of a big rally in the immediate aftermath of the referendum result.

The franc was supported by heavy intervention from the Bank of France, when the currency was a centime above its ERM floor. Mr Helmut Schlesinger, the Bundesbank president, said the franc was a healthy and stable currency, in contrast to the ambiguous comments he reputedly made about sterling last week. The fundamental strength of the French economy, including its strong trade balance, also makes the currency more resistant to pressure.

However, analysts believe that, in the current climate, the franc's future remains uncertain. Mr Jim O'Neill, head of research at Swiss Bank Corp in London, said there is still a 25 per cent chance that the pressure on the franc could turn into a full-blown crisis. Mr Mike Gallagher, director of economic research at the IDEA group, said pressures are likely to intensify until German interest rates are cut. Last night the franc closed at FFr3.4150 to the D-Mark, 1¼ centimes above its ERM floor against the German unit.

Even if the franc holds in the ERM, several other European currencies are under pressure. According to Mr O'Neill, the next most vulnerable is the Irish punt, which closed in London at DM2.6210, just ½ pfennig above its ERM floor.

More worrying for the Irish authorities is the punt's higher rate against the devalued British pound. Analysts said the Irish authorities are unhappy to allow it to rise above I£1.05 to the UK currency, because more than 40 per cent of Irish trade is with the UK. Last night the punt had strengthened to I£1.03.

Both sterling and the Italian lira were victims of heavy selling following the uncertain French referendum result, and the Bank of Italy confirmed that it would not re-enter the ERM as originally planned.

Sterling ended in London 7½ pfennigs down from Friday's close at DM2.5375, an historic low against the D-Mark and an effective 14 per cent devaluation from the old ERM central rate. According to the IDEA research group, the pound could go as low as DM2.33 before the end of the year.

The Italian lira finished at L845.2 per D-Mark, after a previous close of L836.1.

£ IN NEW YORK

Sep.21	Close	Previous Close
£ Spot	1.7075-1.7085	1.7320-1.7380
1 month	1.00-0.90pm	1.00-0.90pm
3 months	2.62-2.52pm	2.65-2.45pm
12 months	8.35-8.05pm	8.90-8.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Sep 21	Previous
8.30	am	84.0	85.5
9.00	am	83.8	85.9
10.00	am	83.5	86.0
11.00	am	83.5	86.0
Noon		83.7	85.7
1.00	pm	83.9	85.8
2.00	pm	83.7	85.6
3.00	pm	83.6	85.4
4.00	pm	83.6	85.5

CURRENCY MOVEMENTS

Sep 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	83.6	-25.9
U.S Dollar	62.0	-16.4
Canadian Dollar	96.2	-4.3
Austrian Schilling	113.5	+14.5
Belgian Franc	115.5	+0.4
Danish Krone	113.2	+5.9
D-Mark	124.7	+29.8
Swiss Franc	114.8	+23.2
Dutch Guilder	118.9	+19.6
French Franc	108.1	-9.4
Lira	91.0	-26.5
Yen	144.4	+80.0
Peseta	100.5	-23.7

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for Sep.18

CURRENCY RATES

Sep 21	Bank § rate %	Special ° Drawing Rights	European † Currency Unit
Sterling	-	0.817207	0.774539
U.S Dollar	3.00	1.42766	1.33128
Canadian $	4.93	1.73760	1.63148
Austrian Sch	8.25	15.0632	13.9225
Belgian Franc	8.00	44.2682	40.8203
Danish Krone	9.50	8.35824	7.70477
D-Mark	8.25	2.14035	1.97894
Dutch Guilder	8.00	2.39604	2.22896
French Franc	10¼	7.27393	6.76821
Italian Lira	15.00	N/A	1660.30
Japanese Yen	3.25	177.558	165.172
Norway Krone	-	8.68231	8.00963
Spanish Peseta	-	149.841	139.406
Swedish Krona	500.0	8.01917	7.41388
Swiss Franc	6.50	1.85453	1.74464
Greek Drach	19	N/A	251.638
Irish Punt	-	N/A	0.754607

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. ° All SDR rates are for Sep.18

OTHER CURRENCIES

Sep 21	£	$
Argentina	1.6915 - 1.6945	0.9900 - 0.9910
Australia	2.3590 - 2.3610	1.3755 - 1.3770
Brazil	9943.80 - 9949.95	5820.20 - 5820.40
Finland	7.7450 - 8.0050	4.5525 - 4.6325
Greece	321.000 - 328.100	186.850 - 190.950
Hong Kong	13.1820 - 13.2030	7.7290 - 7.7300
Iran	2716.00ª	1435.00ª
Korea(Sth)	1348.45 - 1370.20	781.50 - 787.70
Kuwait	0.50200 - 0.50300	0.29480 - 0.29510
Luxembourg	52.45 - 52.55	30.60 - 30.70
Malaysia	4.2865 - 4.2990	2.5150 - 2.5160
Mexico	5125.50 - 5137.05	3084.50 - 3085.50
N.Zealand	3.1740 - 3.1780	1.8615 - 1.8640
Saudi Ar	6.3745 - 6.6010	3.7495 - 3.7505
Singapore	2.7350 - 2.7450	1.6040 - 1.6050
S.Af (Cm)	4.8505 - 4.8695	2.8505 - 2.8525
S.Af (Fn)	6.8200 - 6.9590	4.0000 - 4.0815
Taiwan	43.30 - 43.55	25.35 - 25.55
U.A.E.	6.2415 - 6.4655	3.6715 - 3.6735

ªFloating rate. Iran Official rate £119.55 $63.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	176.844	170.177	-3.77	4.09	46
Dutch Guilder	2.29193	2.22896	-2.75	3.00	54
D-Mark	2.03412	1.97894	-2.71	2.96	68
Belgian Franc	41.9547	40.8203	-2.70	2.95	51
French Franc	6.82216	6.76821	-0.79	0.96	-47
Danish Krone	7.75901	7.70477	-0.70	0.87	-43
Irish Punt	0.759300	0.754607	-0.62	0.79	-46
Spanish Peseta	139.176	139.406	0.17	0.00	-21

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7015 - 1.7350	1.7115 - 1.7125	0.98-0.93cpm	6.69	2.70-2.62pm	6.21
Canada	2.0910 - 2.1085	2.1070 - 2.1080	0.97-0.85cpm	5.18	2.33-2.12pm	4.22
Netherlands	2.8525 - 2.8800	2.8525 - 2.8625	⅛cpm-par	0.26	⅛-⅛dis	-0.26
Belgium	52.25 - 52.75	52.45 - 52.55	2pm-2cdis	-	par-9dis	-0.34
Denmark	9.8850 - 9.9810	9.8850 - 9.8950	¼-⅛oredis	-0.38	1⅛-⅝pm	0.35
Ireland	0.9700 - 0.9800	0.9755 - 0.9765	0.70-0.15ppm	5.23	1.35-0.60pm	4.00
Germany	2.5350 - 2.5540	2.5350 - 2.5400	⅛pfpm-par	0.89	¼-⅛pm	0.30
Portugal	217.30 - 226.90	218.75 - 219.25	35-190cdis	-6.16	230-425dis	-5.98
Spain	177.00 - 180.80	178.00 - 178.30	41-92cdis	-4.48	188-261dis	-5.04
Italy	2133.00 - 2159.00	2144.25 - 2145.25	16-28cdis	-12.31	34-49dis	-7.74
Norway	10.2750 - 10.4060	10.2850 - 10.2950	4⅛-6⅛oredis	-6.41	6⅛-8⅞dis	-2.94
France	8.6090 - 8.7530	8.6625 - 8.6725	⅛-1⅛cdis	-1.21	⅜-2⅛dis	-0.84
Sweden	9.4950 - 9.5970	9.5050 - 9.5150	10⅛-11oredis	-13.33	21-24dis	-9.46
Japan	211.20 - 212.90	211.25 - 212.25	1-⅞ypm	5.31	2¾-2⅛pm	4.96
Austria	17.80 - 18.00	17.89 - 17.92	3⅞-2⅞gropm	2.18	10⅝-7⅝pm	2.04
Switzerland	2.2225 - 2.2550	2.2225 - 2.2325	⅝-⅛cpm	2.36	1¼-⅞pm	1.91
Ecu	1.2860 - 1.3100	1.2945 - 1.2955	0.24-0.36pdis	-2.78	0.43-0.77dis	-1.85

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.70-4.60pm. 12 Month 8.65-8.45pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7015 - 1.7350	1.7115 - 1.7125	0.98-0.93cpm	6.69	2.70-2.62pm	6.21
Ireland†	1.7510 - 1.7675	1.7515 - 1.7525	2.00-1.40cpm	11.64	5.00-4.00pm	10.27
Canada	1.2200 - 1.2310	1.2300 - 1.2310	0.14-0.17cdis	-1.51	0.57-0.65dis	-1.98
Netherlands	1.6645 - 1.6870	1.6690 - 1.6700	0.78-0.83cdis	-5.79	2.43-2.53dis	-5.94
Belgium	30.45 - 30.90	30.60 - 30.70	15.00-16.00cdis	-6.07	46.00-49.00dis	-6.20
Denmark	5.7400 - 5.8050	5.7750 - 5.7800	3.30-3.80oredis	-7.37	10.00-11.25dis	-7.36
Germany	1.4780 - 1.4980	1.4820 - 1.4830	0.68-0.70pfdis	-5.59	2.11-2.15dis	-5.75
Portugal	127.40 - 129.00	128.45 - 128.55	300-500cdis	-37.35	500-800dis	-20.23
Spain	103.20 - 105.70	104.90 - 105.10	8-11cdis	-1.09	25-35dis	-1.14
Italy	1233.50 - 1258.00	1252.50 - 1253.00	17.00-23.00liredis	-19.16	40.00-49.00dis	-14.21
Norway	5.9795 - 6.0585	6.0075 - 6.0125	8.00-10.00oredis	-17.97	15.00-18.00dis	-10.98
France	5.0220 - 5.1175	5.0600 - 5.0650	3.05-3.25cdis	-7.47	9.00-9.40dis	-7.27
Sweden	5.5200 - 5.6150	5.5525 - 5.5575	4.15-4.20oredis	-9.02	11.40-11.55dis	-8.26
Japan	123.50 - 124.30	123.65 - 123.75	0.10-0.21ydis	-1.50	0.23-0.24dis	-0.76
Austria	10.4150 - 10.5150	10.5025 - 10.5075	4.85-5.35grodis	-5.83	14.60-16.10dis	-5.84
Switzerland	1.2985 - 1.3185	1.3005 - 1.3015	0.42-0.45cdis	-4.01	1.25-1.29dis	-3.90
Ecu	1.3070 - 1.3285	1.3225 - 1.3235	1.05-1.00cpm	9.30	2.65-2.45pm	7.71

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10	10¼ - 10	9⅞ - 9⅞	9⅝ - 9⅝	9 - 8¾	9 - 8¾
US Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅜	3⅞ - 3⅞
Can. Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞
Dutch Guilder	9¼ - 8¾	9¼ - 8¾	9 - 8⅞	9 - 8⅞	8⅞ - 8⅝	8⅝ - 8½
Swiss Franc	7 - 6⅞	7 - 6⅞	7⅛ - 7	7⅛ - 7	7⅛ - 7	7 - 6⅞
D-Mark	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	9 - 8⅞	9 - 8⅞	8¾ - 8⅝
French Franc	10⅝ - 10⅛	10⅝ - 10⅛	10⅞ - 10⅞	10⅝ - 10⅛	10⅛ - 9⅞	10 - 9½
Italian Lira	15 - 13	29 - 24	23 - 20	18 - 17	17 - 16	16½ - 14½
Belgian Franc	9½ - 9⅛	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅛ - 9	9 - 8⅞
Yen	5⅛ - 5	5⅛ - 5	4⅛ - 4⅛	4⅛ - 3⅞	4 - 3⅞	3⅞ - 3⅞
Danish Krone	11 - 10½	11½ - 11⅛	11⅞ - 11⅛	11⅞ - 10⅞	10⅞ - 10½	10½ - 10⅛
Asian $Sing	1⅛ - 1⅛	1⅛ - 1⅛	1⅞ - 1⅞	1⅞ - 1⅞	2⅛ - 2⅛	2⅞ - 2⅞
Spanish Peseta	17 - 12	15 - 13	14⅞ - 14⅛	14 - 12⅞	13⅞ - 12⅞	14 - 13

Long term Eurodollars: two years 4⅛-4 per cent; three years 4⅞-4⅞ per cent; four years 5⅛-5⅛ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.712	2.538	211.8	8.668	2.228	2.858	2145	2.108	52.50	178.2	1.295
$	0.584	1	1.482	123.7	5.063	1.301	1.669	1253	1.231	30.67	104.1	0.756
DM	0.394	0.675	1	83.45	3.415	0.878	1.126	845.2	0.831	20.69	70.21	0.510
YEN	4.721	8.083	11.98	1000.	40.93	10.52	13.49	10127		247.9	841.4	6.114
F Fr.	1.154	1.975	2.928	244.3	10.	2.570	3.297	2475	2.432	60.57	205.6	1.494
S Fr.	0.449	0.768	1.139	95.06	3.890	1	1.283	962.7	0.946	23.56	79.98	0.581
H Fl.	0.350	0.599	0.888	74.11	3.033	0.780	1	750.5	0.738	18.37	62.35	0.453
Lira	0.466	0.798	1.183	98.74	4.041	1.039	1.332	1000.	0.983	24.48	83.08	0.604
C$	0.474	0.812	1.204	100.5	4.112	1.057	1.356	1018	1	24.91	84.54	0.614
B Fr.	1.905	3.261	4.834	403.4	16.51	4.244	5.444	4086	4.015	100.	339.4	2.467
Pta	0.561	0.961	1.424	118.9	4.864	1.250	1.604	1204	1.183	29.46	100.	0.727
Ecu	0.772	1.322	1.960	163.6	6.693	1.720	2.207	1656	1.628	40.54	137.6	1.

Yen per 1,000: French Fr. per 10 Lira per 1,000 Belgian Fr. per 100 Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
95	4-09	4-55	0-41	1-19
96	3-24	4-13	0-56	1-41
97	2-42	3-38	1-10	2-02
98	2-04	3-03	1-36	2-31
99	1-36	2-36	2-04	3-00
100	1-10	2-08	2-42	3-36
101	0-55	1-48	3-23	4-12
102	0-39	1-26	4-07	4-54

Estimated volume total, Calls 8355 Puts 2483
Previous day's open int. Calls 37688 Puts 42955

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
102	3-48	3-36	0-38	1-40
103	3-01	2-63	0-55	2-03
104	2-23	2-30	1-13	2-34
105	1-58	2-01	1-42	3-05
106	1-20	1-40	2-10	3-44
107	0-61	1-19	2-51	4-23
108	0-43	1-01	3-33	5-05
109	0-29	0-50	4-19	5-54

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 770 Puts 660

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8950	1.84	2.08	0.25	0.42
9000	1.47	1.73	0.38	0.57
9050	1.13	1.42	0.54	0.76
9100	0.85	1.14	0.76	0.98
9150	0.63	0.90	1.04	1.24
9200	0.46	0.70	1.37	1.54
9250	0.33	0.53	1.74	1.87
9300	0.24	0.40	2.15	2.24

Estimated volume total, Calls 17132 Puts 7526
Previous day's open int. Calls 124371 Puts 69007

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9050	1.03	1.46	0.04	0.05
9075	0.83	1.23	0.09	0.07
9100	0.64	1.02	0.15	0.11
9125	0.47	0.83	0.23	0.17
9150	0.34	0.67	0.35	0.26
9175	0.25	0.51	0.51	0.35
9200	0.19	0.43	0.70	0.52
9225	0.14	0.32	0.90	0.66

Estimated volume total, Calls 7491 Puts 2920
Previous day's open int. Calls 124454 Puts 59592

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9100	3.15	4.16	1.25	1.51
9150	2.79	3.85	1.38	1.70
9200	2.45	3.55	1.55	1.90
9250	2.14	3.26	1.74	2.11
9300	1.85	2.99	1.95	2.34
9350	1.59	2.74	2.19	2.59
9400	1.36	2.50	2.46	2.85
9450	1.15	2.27	2.75	3.12

Estimated volume total Calls 584 Puts 335
Previous day's open int. Calls 16954 Puts 9475

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9075	1.15	1.34	0.30	0.28
9100	0.96	1.16	0.36	0.35
9125	0.79	0.98	0.44	0.42
9150	0.65	0.82	0.55	0.51
9175	0.51	0.68	0.66	0.62
9200	0.40	0.55	0.80	0.74
9225	0.31	0.43	0.96	0.87
9250	0.26	0.33	1.16	1.02

Estimated volume total, Calls 17779 Puts 11066
Previous day's open int. Calls 115773 Puts 77003

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	97-19	97-27	97-12	98-10
Dec	97-24	98-10	97-09	98-16

Estimated volume 46515 (50390)
Previous day's open int. 65462 (64972)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev
Sep	106-17	106-21	106-17	106-24
Dec	105-05	105-16	105-04	105-05

Estimated volume 367 (275)
Previous day's open int. 1942 (1903)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev
Dec	90.66	90.88	90.41	91.09
Mar	90.74	90.82	90.76	91.16

Estimated volume 75726 (57608)
Previous day's open int. 128152 (131823)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	105.56	105.68	105.56
Mar	104.99		

Estimated volume 484 (911)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev
Dec				
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev
Dec	92.69	93.70	92.05	92.90
Mar	93.39			93.65

Estimated volume 11796 (7908)
Previous day's open int. 26811 (30346)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	91.68	91.75	91.50	91.60
Mar	91.98	92.03	91.70	91.81
Jun	92.01	92.04	91.74	91.77
Sep	91.97	91.99	91.74	91.82
Dec	91.73	91.75	91.49	91.52
Mar	91.53	91.53	91.27	91.30

Est. Vol. (inc. figs. not shown) 106163 (119441)
Previous day's open int. 227066 (228199)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Dec	96.81	96.84	96.80	96.81
Mar	96.72	96.75	96.72	96.73
Jun	96.40	96.44	96.42	96.40
Sep	96.01	96.08	96.03	96.02

Est. Vol. (inc. figs. not shown) 1234 (2130)
Previous day's open int. 23002 (22847)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev
Dec	91.45	91.49	91.24	91.49
Mar	91.87	91.89	91.65	91.91
Jun	92.15	92.19	91.93	92.20
Sep	92.34	92.37	92.10	92.33
Dec	92.50	92.50	92.25	92.60
Mar	92.61	92.62	92.50	92.77

Estimated volume 84570 (100869)
Previous day's open int. 321955 (329179)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev
Dec	90.14	90.28	90.00	90.37
Mar	90.59	90.75	90.58	90.84
Jun	90.94	91.10	90.93	91.17
Sep	91.05	91.15	91.10	91.30

Estimated volume 2123 (3516)
Previous day's open int. 9173 (9249)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	93.13	93.15	92.87	93.16
Mar	93.39	93.41	93.10	93.39
Jun	93.55	93.56	93.25	93.44
Sep	93.70	93.70	93.35	93.55

Estimated volume 7924 (8997)
Previous day's open int. 36468 (38355)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	86.28	86.70	85.78	86.90
Mar	87.12	87.25	86.75	87.57
Jun	87.51	87.60	87.60	87.63
Sep	87.60	87.60	87.60	87.63

Estimated volume 1824 (2666)
Previous day's open int. 15649 (15728)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2607.0	2673.0	2590.0	2609.0
Mar	2639.0	2692.0	2692.0	2649.5
Jun				

Estimated volume 16521 (26118)
Previous day's open int. 43846 (38583)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
Sep	106-16	106-25	106-06	107-01
Dec	105-10	105-18	104-29	105-24
Mar	104-02	104-04	103-22	104-16
Jun	102-26	102-28	102-15	103-08
Sep	101-20	101-21	101-15	102-02
Dec	100-16	100-16	100-12	100-31
Mar	-	-	-	99-31
Jun	-	-	-	99-02
Sep	-	-	-	98-08
Dec	-	-	-	97-17

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
Dec	97.15	97.17	97.15	97.19
Mar	97.07	97.08	97.06	97.11
Jun	96.80	96.82	96.80	96.86
Sep	96.46	-	-	96.51

BRITISH POUND (IMM)
$s per £

	Close	High	Low	Prev
Dec	1.6840	1.7140	1.6780	1.7090
Mar	1.6632	1.6700	1.6570	1.6876
Jun	1.6436	1.6500	1.6380	1.6672

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev
Dec	0.7612	0.7693	0.7520	0.7607
Mar	0.7542	0.7555	0.7460	0.7535
Jun	0.7479	0.7470	0.7420	0.7469

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.8071	0.8076	0.8032	0.8018
Mar	0.8064	0.8067	0.8036	0.8010
Jun	0.8062	0.8057	0.8035	0.8008

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Dec	0.6654	0.6705	0.6585	0.6570
Mar	0.6566	0.6585	0.6505	0.6484
Jun	0.6488	-	-	0.6406
Sep	0.6419	-	-	0.6440

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Dec	96.81	96.83	96.79	96.84
Mar	96.74	96.76	96.71	96.77
Jun	96.41	96.43	96.38	96.45
Sep	96.03	96.05	95.99	96.08
Dec	95.46	95.48	95.42	95.51
Mar	95.15	95.16	95.10	95.20
Jun	94.71	94.72	94.68	94.76
Sep	94.35	94.37	94.31	94.40

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Dec	422.55	423.40	421.30	423.80
Mar	422.75	423.50	421.60	424.00
Jun	423.00	-	422.00	424.30
Sep	423.30	-	422.50	423.70

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.725	1.85	-	2.84	3.78	4.40	-	6.70	9.44
1.750	1.11	1.80	2.08	2.95	6.18	7.48	8.38	11.17
1.775	0.61	1.20	1.45	2.47	-	9.34	10.27	13.03
1.800	0.33	0.77	1.05	1.92	10.31	11.41	12.31	14.99
1.825	0.14	0.46	0.64	1.48	12.61	13.60	14.47	17.05
1.850	0.07	0.26	0.40	1.13	15.00	15.89	16.71	19.20
1.875	0.04	0.12	0.25	0.86	17.43	18.24	19.03	21.41

Previous day's open int. Calls 459 207 Puts 519 990 (All currencies)
Previous day's volume Calls 35 059 Puts 43,292 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	108.50	107.96	-0.10	108.88	107.62	8.74	43,255
December	109.00	108.34	-0.06	109.18	108.00	8.69	147,575
March	109.48	108.66	-0.08	109.48	108.44	8.64	17,239

Estimated volume 360,204 † Total Open Interest 214,342

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
December	90.70	90.67	-0.06	90.75	90.33	9.27	30,634
March	91.06	91.11	-0.03	91.12	90.83	8.86	14,954
June	91.36	91.37	-0.06	91.40	91.12	8.57	7,252
September	91.42	91.48	-0.02	91.50	91.28	8.50	2,808

Estimated volume 64,254 † Total Open Interest 59,455

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	1695.0	1841.0	-69.0	1895.0	1841.0	-	20,742
October	1907.5	1857.0	-69.5	1907.5	1859.0	-	4,391
December	1937.0	1887.0	-70.0	1937.0	1906.0	-	2,849

Estimated volume 19,960 † Total Open Interest 27,982

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	104.60	103.40	-0.50	104.60	103.06	9.37	4,111
December	105.00	103.82	-0.56	105.00	103.40	9.29	13,165

Estimated volume 11,053 † Total Open Interest 17,276

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	3.62	-	-	0.28	0.42	-
106	2.77	3.30	-	0.43	0.57	-
107	2.01	2.57	-	0.65	-	-
108	1.34	1.80	-	0.96	-	-
109	0.81	1.39	-	1.41	-	-
Open int.	325,266	68,941	200	239,098	53,943	1,300

Estimated volume 137,942 † Total Open Interest 688,750
† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7120	1.7024	1.6865	1.6661	1.6275

MONEY MARKET FUNDS

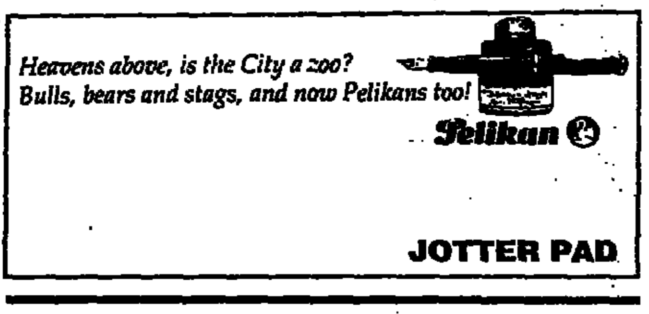
Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calfcash Deposit Fund	11.64	-	12.16	1-Mth
Deposits Over £1 million	11.74	-	12.27	1-Mth
Deposits Over £2 million	11.84	-	12.38	1-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	11.00	-	11.46	3-Mth
Cent. Bd. of Fin. of Church of England††				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	11.00	-	11.46	3-Mth
Gartmore Money Management Ltd				
16-18 Monument St, London EC3R 8QQ			071-236 1425	
TESSA Desk			071 236 9363	
Call Fnd	10.10	7.57	10.35	6-Mth
7-day Fund	10.12	7.59	10.37	6-Mth
Special Fund	9.99	7.49	10.46	1-Mth
Dollar	1.97	1.47	1.98	3-Mth
TESSA Prmer	9.65	-	10.00	3-Mth
TESSA Plus	9.41	-	9.75	3-Mth
TESSA Saver	9.18	-	10.90	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account				
Belmont Rd, Uxbridge UB8 1SA			0800 282115	
£2,500-£9,999	6.94	5.20	7.125	Qtr
£10,000+	7.65	5.74	7.875	Qtr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	8.50	6.375	8.77	Qtr
[illegible]	8.50	6.375	8.84	Mth
[illegible]	9.00	6.75	9.38	Mth
[illegible] £50,000+	9.50	7.125	9.92	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-626 0879	
TREMRA (£2,001+)	10.91	8.19	10.91	Yearly
TOMMA (£2,001+)	10.36	7.77	10.36	Yearly
OMNA (£2,001+)	10.03	7.52	10.03	Yearly
HICA (£2,001+)	8.50	6.38	8.84	Mth
Premier TESSA	12.68	9.51	12.68	Yearly
American Express Bank Ltd				
Sussex House, Burgess Hill, West Sussex, RH15 9AW 0444 232444				
High Performance Cheque Account				
Cardmembers				
£500-£999	3.25	2.44	3.30	Mth
£1,000-£4,999	8.00	6.00	8.30	Mth
£5,000-£9,999	8.20	6.15	8.52	Mth
£10,000-£24,999	8.50	6.38	8.84	Mth
£25,000-£49,999	8.70	6.53	9.06	Mth
£50,000-£99,999	9.00	6.75	9.38	Mth
£100,000+	9.20	6.90	9.60	Mth
Bank of Ireland High Interest Cheque Acc				
36-40 High St, Slough SL1 1EL			0753 516516	
£10,000+	8.25	6.188	8.509	Qtr
£2,000-£9,999	8.00	6.00	8.243	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			071-601 6446	
[illegible] £2,500-£24,999	8.65	6.49	9.00	Mth
£25,000+	8.88	6.65	9.25	Mth
Barclays Select				
PO Box 120, Westwood Bs Pk, Coventry			0800 400100	
£2,000-£9,999	7.60	5.70	7.60	Yearly
£10,000-£24,999	8.60	6.45	8.60	Yearly
£25,000-£49,999	8.90	6.68	8.90	Yearly
£50,000+	9.50	7.13	9.50	Yearly
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton			0604 252891	
£1,000-£2,499	6.20	4.65	6.35	Qtr
£2,500-£9,999	6.70	5.03	6.87	Qtr
£10,000-£24,999	7.20	5.40	7.40	Qtr
£25,000+	7.70	5.78	7.93	Qtr
For Benchmark Bank PLC see Dao Heng Bank PLC				
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2			071-606 9833	
HICA	8.50	6.38	8.71	Qtr
Prof Demand A/c	8.50	6.38	8.71	Qtr
Caledonian Bank Plc				
8 St Andrew Square, Edinburgh EH2 2PP			031 556 8235	
HICA	10.00	7.125	-	Yearly
Cater Allen Ltd				
25 Birchin Lane, London EC3V 9DJ			071-623 2070	
HICA	8.25	6.18	8.57	Mth
Comort £5,000 min	9.00	6.75	9.38	Mth
TESSA	9.50	-	9.92	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH			071-248 4000	
£2,500-£19,999	8.75	6.56	9.11	Mth
£20,000-£49,999	9.00	6.75	9.38	Mth
£50,000-£99,999	9.25	6.94	9.65	Mth
£100,000+	9.50	7.13	9.92	Mth
$5,000-$49,999	1.50	1.13	1.51	Mth
$50,000-$99,999	2.00	1.50	2.02	Mth
$100,000-$199,999	2.25	1.69	2.27	Mth
$200,000+	2.50	1.88	2.53	Mth
Many other currencies are available - for rates please phone ext 2168				
Clydesdale Bank Flexible Solution Acc				
30 St Vincent Place, Glasgow G1 2HL			041 248 7070	
£2,000-£24,999	7.50	5.63	7.71	Qtr
£25,000-£99,999	8.25	6.19	8.51	Qtr
£100,000+	8.75	6.56	9.04	Qtr
Confederation Bank Limited				
PO Box 104, Primett Rd, Stevenage			0438 744500	
60 Day Notice Acc £25,000+	10.50	7.875	10.78	6-Mth
H I C A £25,000+	9.75	7.3125	9.75	Yearly
1 Yr Fixed Rate £1,000+	10.50	7.875	10.50	Yearly
5 Yr Fixed Rate £1,000+	9.75	7.313	9.75	Yearly
Co-operative Bank				
PO Box 300, Skelmersdale Lancs			0345 252000	
TESSA				
TESSA	10.00	-	-	Yearly
Investment 90 - 90 Day Notice Savings				
£50,000+	10.25	7.69	10.51	6-Mth
£25,000-£49,999	10.00	7.50	10.25	6-Mth
£10,000-£24,999	9.00	6.75	9.2	6-Mth
£5,000-£9,999	7.75	5.81	7.9	6-Mth
Pathfinder - Card Based Current Account				
All Balances	9.60	7.20	10.00	Mth
Top Tier - Instant Access Savings				
£50,000+	9.00	6.75	9.20	6-Mth
£20,000-£49,999	8.50	6.38	8.68	6-Mth
£5,000-£9,999	7.25	5.44	7.38	6-Mth
£1,000-£4,999	6.75	5.06	6.86	6-Mth
£1-£999	3.00	2.25	3.02	6-Mth
Ultra Interest Bearing Current Account				
£20,000+	5.00	3.75	5.12	Mth
£5,000-£19,999	3.50	2.63	3.56	Mth
£1000-£4,999	2.00	1.50	2.02	Mth
£1-£999	1.50	1.13	1.50	Mth
Coutts & Co				
Reserve Account				
15 Lombard St, London EC3V 9AU			071-623 1010	
For personal customers				
£50,000+	8.125	6.09	8.38	Qtr
£20,000-£49,999	7.625	5.72	7.85	Qtr
£5,000-£19,999	7.00	5.25	7.19	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	7.875	5.91	8.11	Qtr
£25,000-£99,999	7.50	5.625	7.71	Qtr
£10,000-£24,999	6.875	5.16	7.07	Qtr
Coutts Composite Account for clients money				
27 Bush Lane, London EC4R 0AA			071-623 3434	
Rates negotiable up to	7.562			
Dao Heng Bank PLC Premier Account				
86 Newman Street, W1P 3LD			071-631 1313	
£2,500-£10,000	8.50	6.375	8.77	Qtr
£10,001-£20,000	8.75	6.5625	9.04	Qtr
£20,000+	9.500	7.125	9.84	Qtr
Dartington & Co Ltd Investment HICA				
72 Prince St, Bristol BS1 4QD			0272 213206	
£50,000-£1m	9.00	6.75	9.31	Qtr
£25,000-£49,999	8.75	6.56	9.04	Qtr
£5,000-£24,999	8.50	6.37	8.78	Qtr
Fidelity Money Market Account				
Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ				
£1-£49,999	8.5	6.375	8.77	Qtr
£50,000-£249,999	9.0	6.75	9.31	Qtr
£250,000-£499,999	[illegible]	[illegible]	9.40	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd				
16-18 Monument St London EC3R 8QQ			071-236 1425	
HICA £10,000+	8.25	6.19	8.50	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc				
Trinity Road, Halifax HX1 2RG			0422 335333	
£5,000-£9,999	7.85	5.89	8.00	Qtr
£10,000-£24,999	8.55	6.41	8.83	Qtr
£25,000-£49,999	8.90	6.68	9.20	Qtr
£50,000 and above	9.70	7.28	10.06	Qtr
Julian Hodge Bank Ltd				
10 Windsor Place Cardiff CF1 3BX			0222 220800	
6 Mth Fixed Rate Dep [illegible]	10.75	8.06	-	-
Extra High Interest Deposit Account				
£50,000+	10.75	8.06	11.19	Qtr
£10,000+	10.50	7.88	10.92	Qtr
£5,000+	10.00	7.50	10.38	Qtr
Humberclyde Finance Group				
5 Bartley Way Hook Basingstoke			0256 768000	
£50,000+	10.00	7.50	10.38	Qtr
Leopold Joseph & Sons Limited				
29 Gresham Street, London EC2V 7EA			071 588 2323	
Treasury High Interest Cheque Account				
£25,001-£100,000	9.50	7.125	9.84	Qtr
£100,001 plus	9.75	7.3125	10.11	Qtr
Kleinwort Benson Ltd				
158 Kentish Town Rd London NW5 2BT			071 267 1566	
H I C A (£2,500+)	9.25	6.937	9.661	Daily
Lloyds Bank - Investment Account				
71 Lombard St London EC3P 3BS			0272 433372	
£50,000 and above	9.20	6.90	9.20	Yearly
£25,000+	9.00	6.75	9.00	Yearly
£10,000+	8.50	6.38	8.50	Yearly
£5,000+	7.10	5.33	7.10	Yearly
Midland Bank plc				
PO Box 2, Sheffield			0742 529994	
Exchequer Acc £500+	8.10	6.07	8.29	6-Mth
£10,000+	8.34	6.25	8.50	6-Mth
£25,000+	8.82	6.61	9.07	6-Mth
£50,000+	9.54	7.15	9.77	6-Mth
TESSA	10.90	-	9.50	Yearly
NatWest Crown Reserve Account				
41 Lothbury, London, EC2P 2BP			0800 200 400	
£25,000 and above	9.00	6.75	9.31	3-Mth
£10,000 to £24,999	8.625	6.47	8.91	3-Mth
£2,000-£9,999	8.125	6.09	8.38	3-Mth
Portman Bldg Soc Prestige Cheque Account				
Richmond Hill, Bournemouth, BH2 6EP			0800 66 5663	
£50,000+	10.00	7.50	10.00	Yearly
£30,000-£49,999	9.00	6.75	9.00	Yearly
£20,000-£29,999	8.00	6.00	8.00	Yearly
£10,000-£19,999	7.50	5.63	7.50	Yearly
£2,500-£9,999	7.00	5.25	7.00	Yearly
Provincial Bank PLC				
30 Ashley Rd Altrincham, Cheshire			061-928 9011	
H I C A (£1,000+)	8.25	6.19	8.57	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE			031-523 5650	
£50,000+	9.00	6.75	9.31	Qtr
£25,000-£49,999	8.60	6.45	8.88	Qtr
£10,000-£24,999	8.00	6.00	8.24	Qtr
£5,000-£9,999	6.50	4.88	6.66	Qtr
£2,000-£4,999	6.00	4.50	6.14	Qtr
Save & Prosper/Robert Fleming				
16-22 Western Rd, Romford RM1 3LB			0800 282101	
[illegible] £1,000+ Dep Acc	8.50	6.38	8.87	Daily
TESSA Fixed 1 Year	8.88	-	9.25	Mth
TESSA Variable	9.34	-	9.75	Mth
Sterling Bank & Trust Ltd				
Abbey Gdns, 4 Abbey St, Reading RG1 3BA			0734 592543	
HIDA £2,500+	10.00	7.50	10.25	6-Mth
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol			0272 744720	
Demand Acc	08.63	6.47	[illegible]	Qtr
HIMA £1,000+	08.50	6.38	08.77	Qtr
HIMA £100,000+	08.75	6.56	09.04	Qtr
Money Plus	08.38	6.28	08.64	Qtr
TESSA	09.00	-	09.30	Qtr
ULC Trust Limited				
1 Great Cumberland Pl London W1H 7AL			071-258 0094	
£10,000-90 day notice	11.25	8.44	11.73	Qtr
United Dominions Trust Ltd				
PO Box 135, Abbey St, Reading RG1 3EB			0734 580411	
Capital Plus Cheque Account				
£1,000+	9.40	7.05	9.74	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS			071-382 6000	
Special Acc	9.00	6.75	9.28	Mth
£10,000 and above	9.25	6.94	9.55	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE			0752 224141	
£15,000+	9.50	7.13	9.84	Qtr
£5,000-£14,999	9.25	6.94	9.58	Qtr
£1,000-£4,999	9.00	6.75	9.31	Qtr
Wimbledon & South West Finance PLC				
114 Newgate St, London EC1 7AE			071-606 9485	
High Int Cheque Acc.	8.25	6.19	8.51	Qtr

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.



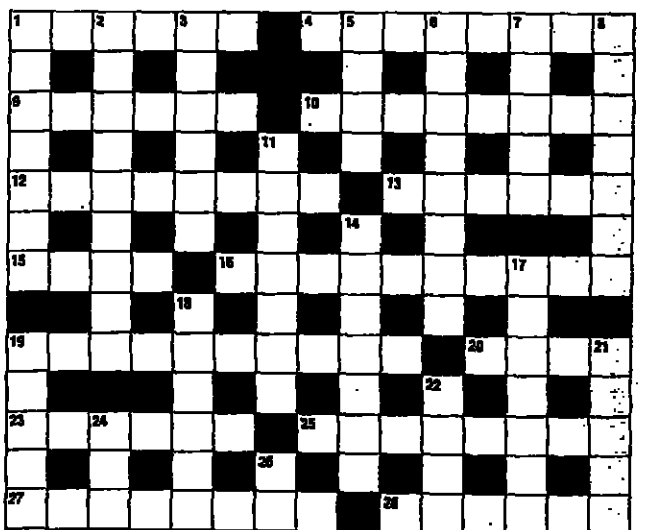
BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	13	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	12
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

CROSSWORD

No.7,957 Set by ALAUN



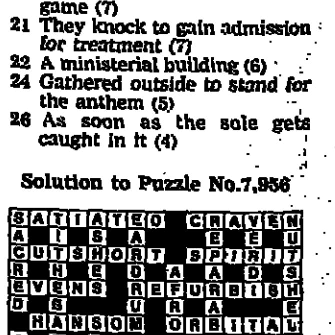
ACROSS

1 Being forceful, go off about public transport (6)
4 Arrived, but not flat out (6,2)
9 Shattering the peace and quiet by the water (6)
10 A complaint from the mess (8)
12 Is the boss, we're told – but not at home (8)
13 There's a grave at the back (6)
15 He's the ass who lost his head (4)
16 It comes before a fall (4,6)
19 Keep a firm grip (10)
20 Take issue over (4)
23 Wait for me to get back into the shower (6)
25 What the orchids need is water, you put in (8)
27 Finally, then, I grind to a halt (2,3,3)
28 Violation of the law and a war it's associated with (6)
29 Means to get in (5,3)
30 Is one right to enter your age? (6)

DOWN

1 Fix up and put back into the warehouse (7)
2 He's rarely seen without his glasses (9)
3 Merely dabble in, but spend a lot of money on? (6)
5 Forget the road goes into, coming back (4)
6 Finds, when one goes to the window (5,3)
7 Up, for instance, to performing the odd trick (5)
8 The fish outside the net, wriggling, is the mate (7)
11 A dash all long to have (7)
14 Wears one down so one spills the beans (5,2)
17 Mm! It's nice and hot! (9)
18 Altogether I count ten flying overhead (8)
19 Overhaul part of one's tennis game (7)
21 They knock to gain admission for treatment (7)
22 A ministerial building (6)
24 Gathered outside to stand for the anthem (5)
26 As soon as the sole gets caught in it (4)

Solution to Puzzle No.7,956



MONEY MARKETS

Cash rates softer

RATES IN the sterling cash market softened considerably yesterday, as dealers wondered whether the Bundesbank's support of the French franc in the European exchange rate mechanism might force the German central bank to cut short-term interest rates.

With the UK out of the ERM, the result of the French referendum on the Maastricht treaty had little impact on the sterling money market. Indeed, one dealer commented yesterday that a No vote might have made the market more bullish about the prospect of a UK base rate cut. That result would have split the ERM apart, and other central banks could have reduced lending rates.

UK clearing bank base lending rate
10 per cent
from September 17, 1992

Although sterling is floating freely, the UK authorities have not yet outlined what their policy on the currency is. The market's assumption is that base rates will soon be lowered by at least ½ percentage point, and 3-month money ended yesterday at 9⅛ per cent on the offered side, after a Friday close of 10½ per cent.

One factor which might allow the UK to cut rates with impunity would be a fall in the Bundesbank's Lombard rate. This is still deemed unlikely in the near term, and yesterday the Bundesbank cancelled this week's tender for securities and repurchase funds, effectively draining DM20bn from the market. This move helped to sterilise the massive intervention by the Bundesbank on the foreign exchanges recently to support the lira and dollar.

However, overt support for the French franc from Mr Helmut Schlesinger, the Bundesbank president, suggests that the Germans do not want to see the EMS fall apart. Given the continuing pressures on the ERM, some dealers suspected yesterday that the Bundesbank could be forced to cut rates to prop up the remaining currencies.

The Bank of England was quick to confirm that there would be no interest rate cut yesterday. After forecasting an £800m shortage, the Bank calmed the market by buying £200m in a repurchase agreement (repo) at 9⅞ per cent at the established rate of 9⅞ per cent. The Bank then purchased £126m of Band 1 bank bills at 9¾ per cent and £200m in a repo.

The forecast was revised to £950m and the Bank bought £116m of Band 1 bank bills and provided £330m late assistance.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.21) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6	One month	2.66	Three year	4.39
Broker loan rate	5	Two month	2.96	Five year	5.44
Fed.funds	3⅛	Three month	2.97	Seven year	5.96
Fed.funds at intervention	-	Six month	3.02	10-year	6.41
		One year	3.17	30-year	7.35
		Two year	3.89		

Sep.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.10	9.15-9.25	9.15-9.25	9.15-9.25	9.05-9.20	9.50
Paris	9⅞-10⅛	10-10⅛	-	10⅛-10⅛	-	9.60
Zurich	7⅛-7½	7⅛-7⅜	-	7⅛-7⅜	-	-
Amsterdam	7.63-7.88	8.65-8.90	-	8.63-8.88	-	-
Tokyo	4⅜-4⅜	4⅛-4⅜	-	4⅛-4⅜	-	-
Milan	18⅞	23⅞-24⅛	-	18⅞-19⅝	-	-
Brussels	-	9⅛-9⅜	-	9⅛-9½	-	-
Dublin	-	-	-	-	-	-

LONDON MONEY RATES

Sep 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10¼	10⅛	9½	9	9
Interbank Bid	7	10¼	9⅞	9⅜	8¾	8½
Sterling CDs	-	-	9⅞	9⅜	8⅞	8⅝
Local Authority Deps	10½	10½	10	9⅝	9¼	8⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10	10½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	9⅞	9¼	9	8⅝
Treasury Bills (Buy)	-	-	9¼	8¾	8¼	-
Bank Bills (Buy)	-	-	9⅛	8⅞	8⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.00	3.00	3.03	3.16
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5⅞	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	11⅛	11⅛	11⅛	10⅞
ECU Linked Dep. Bid	-	-	11⅛	10⅞	10⅞	10⅝

Treasury Bills (sell): one-month 9¼ per cent; three months 8⅝ per cent; six months 8¼ per cent; Bank Bills (sell): one-month 9⅛ per cent; three months 8¾ per cent; Treasury Bills: Average tender rate of discount - . ECGD Fixed Rate Sterling Export Finance. Make up day August 28, 1992 Agreed rates for period Sep. 23, 1992 to October 25, 1992, Scheme I, 11.38 p.c., Schemes II & III: 11.66 p.c. Reference rate for period August 1, 1992 to August 28, 1992, Scheme IV&V: 10.379 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from September 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close September 21

[illegible]

MONTREAL

4 pm close September 21

[illegible]

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

—Saturday September 19: Taiwan Weighted Price: 3569. & Subject to official recalculation. r Correction.
Base values of all indices are 100 except: Austria Traded, ... and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – ... Closed (u) Unavailable.

TOKYO - Most Active Stocks

Monday, September 21, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Min	12.1m	465	-30	Japan Metal	2.7m	737	+3
Aoki Corp	6.4m	590	+46	Mitsubishi Hvy	2.7m	565	+7
Sumitomo Metal	4.2m	259	-3	Nikken Chems	2.7m	890	+29
Sumitomo Chem	3.0m	458		Sanyo-Kokusaku	2.5m	525	+22
Nippon Steel	2.8m	300		Komatsu	2.2m	682	-6

4 pm close September 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Close Prev.	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
55	60½	Xerox4.125				3	62¼	52¼	53¼	+1
33¾	24⅞	Xtra 1.94	1.94	5.7		241	u34	33	34	+1
45⅞	38½	Xtra Corp	0.80	1 7	14	427	u46¾	45¾	46¾	+1¼
30¼	25¼	Yankee Egy	1.66	6 9	13	25	28¼	28⅛	28¼	−⅛
1½	½	Zapata			25	335	1	1	1	
11⅛	6⅜	ZenithElec			4	236	6⅝	6½	6⅝	
19½	14½	Zenith Nat	1.00	6 7	8	11	17½	17⅛	17½	+⅛
7½	6	Zenix Inc x	0.82	11.7		63	7⅛	7	7	
13¾	10	Zero Corp	0.40	3.5	18	356	11⅝	11¼	11⅜	−¼
38	27¾	Zurn Ind x	0 88	2.8	34	354	31⅛	30⅞	31	+⅛
14⅛	12	Zweig Fund	1.12	8 6		127	13⅛	13	13	
11	9½	Zweig Totl	0.96	9 3		630	10½	10⅜	10⅜	−⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1. excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. *Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.* Sales figures are unofficial.

a-dividend also xtra(s) b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock div dend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. *estimated cash value on ex-dividend or ex-distribution date.* u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. *xdis-ex-distribution.* xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	4	11⅞	11⅞	11⅞	+⅛
Pet HRP x	1 14	13	63	16½	16¼	16½	
Phil LD	0.26	16	544	40	39½	39⅞	−¼
Pitway A	1 10	18	79	30½	30¼	30⅜	
Ply Gem	0.12	22	47	10⅜	10⅛	10⅛	−¼
PMC	0 68	14	299	10⅞	10¾	10¾	
PresidoA	0.10	1	80	1½	d1¼	1½	

NASDAQ NATIONAL MARKET

4 pm close September 21

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		22	3025	20¾	20	20¼	−¼
Xoma Corp		5	887	10¾	d10¼	10½	−⅛
Yellow Fr	0 94	20	1178	24½	23¾	24¼	+⅛
York Rsch		8	4953	7	5¹⁵⁄₁₆	6	−¹³⁄₁₆
ZionsUtah	1.44	11	595	57¼	56	57½	+1½

AMERICA

Dow eases on doubts over EC prospects

Wall Street

SHARE prices eased across the board in light trading yesterday as investors struggled to digest the implications for US markets of the French referendum on the Maastricht agreement, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 14.59 at 3,312.46. The more broadly based Standard & Poor's 500 was also lower at midsession, down 1.53 at 421.40, while the Amex composite gave up 2.57 at 382.93 and the Nasdaq composite 1.62 at 587.50. Turnover on the NYSE was 91m shares by 1 pm.

The narrow margin in the French vote on Maastricht eased some tensions on world financial markets but, in the eyes of US investors, the result failed to clear up the doubts about long-term viability, either of the treaty or of the whole question of closer European economic integration. Analysts said that the key was the future direction of German interest rates.

Equity market sentiment was also undermined by the dollar's weakness, and losses on domestic bond markets. The US currency slid more than one and a half pfennigs to DM1.4810 as international investors bought D-Marks following the French vote, while fears that lower interest rates in Europe might rekindle global inflationary pressures left US Treasury prices lower. The benchmark 30-year bond was down half a point in early afternoon trading.

Those same fears of inflation have led some analysts to suggest that investors might shift out of interest rate sensitive sectors of the stock market and into cyclical sectors, such as energy and technology stocks, to protect against the long-term threat of higher prices and interest worldwide.

Among the busiest stocks was the insurance group, Travelers. After a delayed opening due to an order imbalance on the buy side, the stock jumped \$2½ to \$20 in turnover of 1.5m shares as investors welcomed Sunday's news that the financial services group, Primerica, had invested \$722.5m in Travelers in return for a 27 per cent stake. The market was particularly impressed by the news that Mr Sanford Weill, the chairman of Primerica, will play a key role in the running of Travelers' operations. Primerica was down \$⅝ at \$40¼.

AT&T held its ground at \$44 after the broking house, PaineWebber, lowered its 1993 earnings estimate for the telecommunications group because of sluggishness in equipment sales. PaineWebber still has a "buy" rating out on AT&T, however.

Nike fell \$½ to \$75 in turnover of almost ½m shares after the sports shoe maker announced fiscal first quarter net income of \$1.60, up from \$1.50 a year ago but slightly disappointing in relation to market estimates.

Canada

TORONTO was weaker at midsession with the TSE-300 index off 24.29 at 3,420.66. Declines led advances by 274 to 172 in turnover of C\$146.4m.

Meanwhile, the financial services sub-index was 53.12 lower at 2,705.41.

Among the most active stocks, Royal Bank of Canada lost C\$⅛ at C\$24¼, Dofasco Inc was C\$¾ lower at C\$10⅝ and Scotiabank was C\$⅝ weaker at C\$23¼.

SOUTH AFRICA

GOLD SHARES were lifted more than 1.5 per cent because of the uncertainty on foreign exchange markets. The index rose 14 to 935, while a strong industrial sector boosted its index by 10 to 4,137. The overall index was up 10 at 3,177.

EUROPE

Bourses sell on outcome of Maastricht vote

BOURSES returned to basics, *writes Our Markets Staff.* Having risen last week on the prospect of a French Yes vote on the Maastricht treaty, they sold yesterday on the outcome and the FT-SE Eurotrack 100 index fell by 1.75 per cent.

The French franc came under pressure again, shaking the Paris bourse as French and Spanish ministers pushed for another cut in German interest rates and the Bundesbank continued to stall

Mr Andrew Bell, director of European strategy at BZW, saw a difficult choice in prospect for the Franco-German alliance at the hard core of the ERM: "If the future of the Franc against the D-Mark becomes a matter of exploiting tensions within the ERM rather than a rational valuation of one currency against another," he said, "it could become a choice between theFranc parity, and a DM easing."

In the meantime, he said, dollar stocks and interest rate-sensitive situations continued to appeal, but prospects were looking difficult for cyclicals yet again.

PARIS retreated 3 per cent on the view that the wafer-thin majority in the Maastricht vote was the worst possible outcome. Some analysts commented that with the franc coming under intense pressure during the day there may well have to be an increase in interest rates as the government acts to support the currency. The CAC-40 index lost 56.88 to 1,826.06 in turnover of FFr2.4bn.

Activity was further depressed by disappointing corporate results. Canal Plus was one of the day's biggest losers, shedding 16.4 per cent following a profits warning. The shares were briefly suspended after opening limit down, and closed down FFr214 at FFr1090.00. Havas, which holds a 25 per cent stake in the subscription television group, declined FFr37.80 or 7.6 per cent to FFr454.80.

A profits warning from Club Mediterranée left the shares down FFr30.80, or 7.3 per cent at FFr392.20. Financials weakened with Société Générale down FFr21 to FFr521 and Paribas off FFr12.50 at FFr346.00.

FRANKFURT lost less than 1 per cent during the session, the DAX index closing 14.47 lower at 1,573.86, but it followed late closing markets further down in the afternoon.

Volume more than halved, from DM9.7bn to DM4.6bn. Banks, obviously interest rate-sensitive, held their ground but carmakers, engineers and steels all fell as dealers said that the D-Mark's rise in Europe had become a severe threat to corporate earnings.

BMW, recently favoured against Volkswagen, dropped DM14.50 to DM537; the tyremaker, Continental, whose margins may be under threat as the carmakers squeeze their suppliers, ended DM8 lower at DM241. In engineering, Linde dropped DM19 to DM755 and in steels, which face a new 7.5 per cent annual wage demand from IG Metall, Hoesch dropped DM13.50 to DM200.

MILAN rose by nearly 3 per cent in an early rally, closed the official session with the Comit index 4.77, or 1.3 per cent higher at 380.28, and ended in the London post-bourse with the Italian component of the Eurotrack 100 down by 2.7 per cent in lira terms.

The French vote did nothing for the lira, or prospects for Italy's interest rates.

Profit-taking during the session hit Credito Italiano and Nuovo Pignone, the two privatisation candidates, which fell by 2.8 per cent, and 4.7 per cent respectively.

AMSTERDAM remained resilient against other European markets as the CBS Tendency index lost just 0.6 to 113.0. Mr Philip van den Berg, Dutch analyst at Goldman Sachs, said that the stronger dollar and hopes of lower German interest helped the market resist a steeper fall.

Elsevier came back after suffering from last week's merger announcement with Reed of the UK and the shares picked up Fl 2.30 to Fl 105.00. Philips and Royal Dutch also went against the trend, gaining Fl 70 cents and 60 cents respectively to Fl 23.50 and Fl 148.60.

MADRID was disappointed in theMaastricht vote and the general index slipped 4.19 to 210.78 while the Ibex index was down 2.3 per cent. Turnover swelled to Pta16bn.

Utilities were weak on concerns over the effect of devaluation on earnings, as they have a lot of foreign currency debt in issue. Iberdrola I lost Pta35 to Pta685 in volume of 4.5m shares. Repsol fell Pta20 to Pta3,325 with 1.4m shares traded as US investors switched into the convertible bond issue.

BRUSSELS followed neighbouring bourses lower as the Bel-20 index lost 6.36 to 1,123.88. Clabecq was the day's main feature, losing BFr230 or 30 per cent at BFr550 but in low volume. The steel group said last week that it was in partnership talks.

ZURICH saw rising Swiss franc money market rates and profit-taking in banks: the SMI index, which peaked at 1,904.5 in early trading, closed 9.0 lower at 1,887.3.

OSLO fell in nervous trade, shipping shares leading the way down as investors held back amid renewed concern over the European currencies and higher Norwegian short-term money market rates. The all-share index fell 2.73 to 333.42 in thin trading with the shipping index down 5.96 to 284.04.

STOCKHOLM fell in late trading in spite of the central bank's lowering of its marginal lending rate from 500 per cent to 50 per cent. The Affärsvärlden index shed 13.6 to 745.1 in turnover of SKr380m.

Handelsbanken's B shares fell by SKr4 to SKr25 while Electrolux B shares dropped SKr5 to SKr215 in turnover of SKr44bn.

VIENNA reversed direction towards the end of the day as the ATX index finished up 4.03 at 839.73.

FT-SE Eurotrack 100 - Sep 21

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1058.72	1053.33	1057.41	1055.10	1052.61	1052.15	1051.77	1050.43

Day's High 1059.27 Day's Low 1050.31

Sep 18	Sep 17	Sep 16	Sep 15	Sep 14
1070.95	1058.13	1053.63	1051.69	1073.79

Base value 1000 (26/10/90)

ASIA PACIFIC

Politics move Pacific Basin equities as Nikkei eases

Tokyo

LATE AFTERNOON arbitrage selling left the Nikkei average lower yesterday, in slow trading ahead of a national holiday tomorrow, *writes Emiko Terazono in Tokyo.*

The Nikkei shed 100.56 to 18,066.24, dragged down by the fall in the futures market in the final hour, after setting a day's high of 18,414.09 in the morning on dealer buying, and a low of 18,050.48 just before the close.

Volume was still thin, at 280m shares against 333m, as most institutional investors remained inactive. Rises maintained a small lead over falls by 489 to 450, with 184 issues unchanged, while the Topix index of all first section stocks closed a slight 1.46 up at 1,355.51. In London the ISE/Nikkei 50 index eased 1.41 to 1,088.57.

Rumours that a second tier broker was liquidating an arbitrage portfolio depressed the futures market. But traders said overall sentiment stayed firm as many investors believe that public funds will be invested in the equity market at the end of this month.

Mr Peter Johnson at Baring Securities said: "It is a historically firm period. Share price movements will be dependent on progress of the land buying corporation and interest rate movements." Last week's comments by Prime Minister Mr Kiichi Miyazawa, supporting the use of public funds to finance a Japanese version of the Resolution Trust Corporation in the US, have indicated that the plans for the establishment of the organisation are progressing.

Trading was short term. Mitsui Mining & Smelting, the day's most active issue, fell Y30 to Y440 on profit-taking. Mining shares gained last week on reports of a gold mine discovery in southern Japan.

Aoki, the construction company, jumped Y46 to Y550 on active buying. The issue will replace Nippon Stainless Steel later this week as a component of the Nikkei 225-stock average. Speculators sought issues rumoured as candidates for inclusion in the near future. Minebea rose Y16 to Y500 and Seika, a machinery trader, advanced Y26 to Y684.

Itoman, the Osaka based textile trading concern, did not trade due to the lack of buyers, and closed offered at Y268, down Y80. The company, under financial restructuring due to losses on its extensive property and stock speculation, last week announced that it will be merged with Sumikin Bussan, a steel trading subsidiary of Sumitomo Metal Industries, a core company of the Sumitomo group, which is aiding the restructuring.

In Osaka, the OSE average gained 92.87 to 19,484.02 in volume of 14.8m shares.

Roundup

DOMESTIC AND international politics had a lot to do with the way markets in the region moved yesterday.

BANGKOK trading attained a new record, and stocks climbed by 4 per cent on weekend progress towards the formation of a new government coalition, following the general election nine days ago.

The busiest day in the 17-year history of the Thai stock market saw turnover of Bt22.62bn as the SET index closed 33.30 higher at 868.75, bringing the total gain to 15 per cent since September 1.

HONG KONG was pleased with the French Yes vote on Maastricht, and the Hang Seng index added 32.21 at 5,741.53, following Friday's 51-point gain, as turnover eased from HK\$1.81bn to HK\$1.754bn.

Conglomerates and properties showed above-average rises.

AUSTRALIA was also influenced by the French vote, as well as by stronger markets abroad last Friday. The All Ordinaries index firmed 7.9 to 1,531.6 but turnover was thin, falling from A\$166m to A\$136m as investors awaited international reaction to European events.

SEOUL dropped 3.5 per cent amid political uncertainty. The composite index shed 19.01 to 521.54 in active turnover of Won240bn on the after-shock following President Roh Tae-woo's decision last week to leave the ruling Liberal Democratic Party and form a neutral cabinet to ensure fairness in the presidential election late this year.

BOMBAY saw heavy selling after last week's gains, the BSE index losing 108.88, or 3.2 per cent, to 3,274.74. MANILA blamed flash floods in the city as the composite index slid 10.68 to 1,410.65.

TAIWAN heard that Lei Po-lung, who plays a leading role in a T\$8.1bn default case, had been arrested on Sunday and that Oung Ta-ming, textile tycoon and head of the Hualon group, was too ill to attend a court hearing yesterday, and the weighted index receded 88.03 to 3,481.90 after a 132-point gain on Saturday.

Devaluation brings divergence to bourses

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+9.12	+8.83	-22.34	-5.16	+3.31	-3.92
Belgium	+3.83	+1.03	-2.80	-2.77	+5.74	-1.66
Denmark	+0.79	-6.66	-29.65	-25.49	-19.03	-24.70
Finland	+5.74	+1.98	-32.84	-20.29	-24.67	-29.95
France	+3.88	+6.38	+0.99	+5.87	+14.84	+6.80
Germany	+4.23	+4.76	-7.20	-2.56	+5.88	-1.53
Ireland	+2.81	-2.21	-18.19	-12.07	-4.53	-11.21
Italy	+3.82	-7.18	-29.19	-23.86	-25.08	-30.32
Netherlands	+3.34	+1.78	+2.17	+4.93	+14.43	+6.42
Norway	+8.92	+6.69	-32.32	-16.84	-12.13	-18.28
Spain	+3.42	+3.23	-19.52	-12.29	-13.76	-19.79
Sweden	+8.09	+2.28	-20.51	-4.34	+1.76	-5.36
Switzerland	+3.93	+6.39	+10.68	+12.49	+25.60	+16.80
UK	+8.54	+8.26	-2.65	+2.26	+2.26	-4.90
EUROPE	+5.88	+5.35	-5.31	-0.31	+3.90	-3.30
Australia	+1.52	-2.56	-5.07	-9.80	-6.49	-13.05
Hong Kong	+3.13	+3.11	+44.70	+32.54	+43.44	+33.41
Japan	-1.16	+7.65	-23.69	-20.20	-13.98	-20.00
Malaysia	+1.63	+6.24	+10.50	+3.85	+20.69	+12.25
New Zealand	+1.14	-0.41	-1.99	-9.53	-2.15	-9.00
Singapore	-2.83	-0.52	-9.33	-16.39	-9.43	-15.76
Canada	+0.31	+1.51	-1.73	-3.07	-0.91	-7.85
USA	+0.71	+1.94	+9.74	+1.42	+9.06	+1.42
Mexico	+2.26	-5.37	+4.16	-9.61	-4.39	-11.08
South Africa	+3.55	-1.33	-9.71	-10.38	-24.38	-29.68
WORLD INDEX	+1.58	+4.07	-5.24	-5.84	+0.16	-6.85

† Based on September 18th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and County NatWest Securities.

By John Pitt

European bourses diverged last week as currency turmoil pushed the UK, Italy and Spain into devaluation. With the FT-Actuaries World Indices measured in local currency terms, fluctuations in these markets tended to obscure clear gains in the strong D-Mark bloc – Germany, the Benelux countries and Switzerland – and in France.

In dollar terms, however, another picture emerges which reflects the comparative strengths and weaknesses of European currencies. In these terms, Austria, which is also firmly locked into the D-Mark, stands out as one of last week's best performers, while the UK's 8.5 per cent gain in sterling is translated into a fall of 1.8 per cent, reflecting its effective 13 per cent depreciation since last week. Similarly, Italy is 8.2 per cent weaker in dollar terms.

Austria's solid performance was made in an illiquid market, with very little foreign or domestic institutional activity, said Mr James Stratton of Girozentrale Gilbert Eliott in London. Turnover was higher than average throughout the week, but much of the trading came from short-covering and interbank business. "There was also the fact that the market was due for a technical correction," he said, "having dropped some 30 per cent from its high earlier this year."

The situation in Italy, where last Monday's devaluation led the BCI index to an eight-year low on Wednesday in exceptionally large turnover of some L200bn, was followed by a rally as the market welcomed Thursday's tough budget proposals. There was also some satisfaction, said Marie Christine Keith, Italian analyst at County NatWest, that the lira had left the ERM.

However, in spite of the budget measures receiving support from non-coalition parties, which may ease their passage through parliament, the release of a batch of first-half results over the next few weeks is expected to bring further disappointment.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 21 1992								FRIDAY SEPTEMBER 18 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	130.89	-0.2	113.35	102.35	100.89	119.82	+0.6	4.09	131.17	111.77	103.35	102.36	119.09	153.68	124.36	151.89
Austria (19)	160.44	+0.3	138.94	125.46	123.66	124.46	+0.0	2.35	160.00	136.33	126.07	124.86	124.44	186.70	139.27	182.34
Belgium (42)	143.03	+0.8	123.87	111.83	110.24	108.11	+0.0	5.69	141.94	120.94	111.83	110.76	108.16	152.27	135.87	130.19
Canada (114)	123.61	-1.6	107.04	96.65	95.26	110.14	-0.5	3.18	125.60	107.02	98.96	98.00	110.64	142.12	123.61	135.84
Denmark (33)	205.70	+2.3	178.14	160.85	158.54	161.64	+1.1	1.76	201.17	171.41	158.51	156.99	159.93	273.94	196.78	255.13
Finland (15)	56.38	+3.2	48.82	44.08	43.45	54.34	+0.7	2.60	54.65	46.57	43.07	42.65	53.97	89.80	52.92	91.22
France (102)	158.50	-1.4	137.26	123.93	122.16	125.87	-2.8	3.57	160.67	136.90	126.59	125.37	129.48	168.75	148.06	144.49
Germany (64)	115.92	+0.3	100.39	90.65	89.34	89.34	-0.9	2.56	115.54	98.44	91.05	90.16	90.16	129.69	111.97	110.38
Hong Kong (53)	238.32	+1.3	206.38	186.34	183.69	236.50	+1.3	3.63	235.26	200.46	185.37	183.60	233.46	259.55	176.36	162.37
Ireland (16)	150.12	+0.8	130.01	117.39	115.71	120.74	+1.5	4.47	149.00	126.95	117.40	116.27	118.98	173.71	145.54	162.25
Italy (78)	53.04	+1.0	45.94	41.47	40.88	49.63	+0.8	4.20	52.53	44.76	41.39	40.99	49.24	80.86	49.25	73.04
Japan (473)	109.69	+1.0	95.00	85.77	84.56	85.77	+0.2	0.99	108.66	92.58	85.61	84.80	85.61	140.95	87.27	132.47
Malaysia (69)	241.01	+0.3	208.72	188.45	185.75	233.49	+0.2	2.83	240.41	204.84	189.42	187.60	233.10	250.47	212.49	197.21
Mexico (18)	1235.90	-0.1	1070.29	966.38	952.57	4168.66	-0.3	1.44	1236.97	1053.97	974.65	965.29	4181.05	1789.77	1213.33	1213.90
Netherland (25)	163.93	+0.9	141.96	128.18	126.35	124.91	+0.0	4.54	162.48	138.44	128.02	126.80	124.96	167.29	147.88	140.43
New Zealand (14)	42.38	-0.9	36.70	33.14	32.66	41.92	+0.3	5.28	42.75	36.43	33.69	33.36	41.77	48.52	41.90	45.73
Norway (22)	146.39	+0.2	126.78	114.47	112.84	119.42	-0.8	2.03	146.10	124.49	115.12	114.02	120.37	192.95	136.40	198.12
Singapore (38)	183.71	-0.7	159.09	143.65	141.59	135.83	-0.9	2.41	185.05	157.67	145.80	144.40	137.12	229.63	180.71	192.95
South Africa (61)	176.49	+0.8	152.84	138.00	136.03	155.87	+0.5	3.27	175.03	149.14	137.91	136.58	155.04	263.60	175.03	249.41
Spain (48)	123.92	-1.2	107.31	96.90	95.51	98.57	-1.9	6.07	125.45	106.89	98.85	97.89	100.50	161.72	123.92	159.80
Sweden (30)	169.30	-1.2	146.61	132.38	130.49	139.22	-2.1	2.95	171.43	146.07	135.08	133.78	142.18	200.28	166.59	195.98
Switzerland (60)	116.87	-0.2	101.30	91.47	90.17	94.35	-0.5	2.27	117.23	99.89	92.37	91.49	94.84	118.45	95.99	94.54
United Kingdom (228)	173.32	-1.7	150.09	135.61	133.57	150.09	-0.1	4.90	176.25	150.18	138.86	137.53	150.18	200.07	165.85	181.03
USA (522)	172.00	-0.2	148.95	134.50	132.57	172.00	-0.2	2.95	172.29	146.81	135.76	134.46	172.29	173.39	160.92	156.81
Europe (782)	141.71	-0.8	122.72	110.81	109.23	116.32	-0.7	4.06	142.81	121.68	112.53	111.45	117.08	156.88	138.52	142.65
Nordic (100)	154.59	+0.0	133.87	120.88	119.15	120.67	-0.9	2.48	154.51	131.65	121.75	120.58	121.81	188.52	150.15	188.79
Pacific Basin (715)	114.24	+0.9	98.93	89.33	88.05	90.98	+0.3	1.33	113.24	96.49	89.23	88.37	90.75	141.97	93.70	133.46
Euro – Pacific (1497)	125.35	+0.1	108.55	98.01	96.61	101.30	-0.2	2.58	125.20	106.68	98.64	97.70	101.47	145.21	113.80	137.44
North America (636)	168.98	-0.2	146.34	132.14	130.26	167.79	-0.2	2.96	169.37	144.32	133.47	132.20	168.09	170.49	158.70	155.44
Europe Ex. UK (554)	122.27	-0.1	105.89	95.63	94.26	97.41	-1.1	3.47	122.44	104.32	96.49	95.57	98.48	132.98	119.63	119.86
Pacific Ex. Japan (242)	158.84	+0.4	137.56	124.22	122.43	143.14	+0.7	3.66	158.23	134.82	124.69	123.49	142.15	175.31	149.00	143.23
World Ex. US (1690)	126.47	+0.1	109.52	98.90	97.48	103.22	-0.2	2.60	126.37	107.68	99.58	98.62	103.39	146.91	116.18	139.22
World Ex. UK (1984)	137.78	+0.2	119.31	107.74	106.20	121.78	-0.2	2.49	137.54	117.19	108.38	107.34	122.00	150.58	127.21	140.60
World Ex. So. Af. (2151)	140.71	+0.0	121.85	110.03	108.46	124.03	-0.2	2.74	140.76	119.93	110.92	109.85	124.25	153.06	130.04	143.42
World Ex. Japan (1739)	158.67	-0.4	137.41	124.08	122.32	146.58	-0.3	3.37	159.27	135.71	125.50	124.31	147.01	165.40	153.20	151.65
The World Index (2212)	140.86	+0.0	121.99	110.15	108.58	124.35	-0.2	2.75	140.90	120.05	111.02	109.96	124.56	153.70	130.66	144.11